

# Federal Income Tax Brackets & Rates

## The New 2020 Federal Income Tax Brackets & Rates

Federal income tax brackets and rates for 2020 are shown below. Indexing has increased the income brackets by roughly 2% across the board.

	Single	Married, Filing Jointly or Qualifying Widow	Married Filing Separately	Head of Household	Trusts & Estates
<b>10%</b>	\$0 – \$9,875	\$0 - \$19,750	\$0 – \$9,875	\$0 – \$14,100	\$0 – \$2,600
<b>12%</b>	\$9,876 – \$40,125	\$19,751 – \$80,250	\$9,876 – \$40,125	\$14,101 – \$53,700	-
<b>22%</b>	\$40,126 – \$85,525	\$80,251 – \$171,050	\$40,126 – \$85,525	\$53,701 – \$85,500	-
<b>24%</b>	\$85,526 – \$163,300	\$171,051 – \$326,600	\$85,526 - \$163,300	\$85,501 – \$163,300	\$2,601 – \$9,450
<b>32%</b>	\$163,301 – \$207,350	\$326,601 – \$414,700	\$163,301 – \$207,350	\$163,301 – \$207,350	-
<b>35%</b>	\$207,351 – \$518,400	\$414,701 – \$622,050	\$207,351 – \$311,025	\$207,351 – \$518,400	\$9,451 – \$12,950
<b>37%</b>	\$518,401 or more	\$622,051 or more	\$311,026 or more	\$518,401 or more	\$12,951 or more

## The New 2020 Federal Income Tax Bracket & Rates for Capital Gains

Capital gains are taxed at different rates from ordinary income. For example, while there are seven tax brackets for ordinary income, ranging from 10% to 37%, there are just three for capital gains, ranging from 0% to 20%.

This is a major advantage for anyone who has substantial capital gains income. The capital gains tax rate is substantially lower than the tax rate on a comparable amount of ordinary income.

Just as is the case with the income brackets for ordinary income, the income brackets for capital gains have also been increased slightly from 2019.

	Single	Married, Filing Jointly	Married, Filing Separately	Head of Households	Trusts & Estates
<b>0%</b>	\$0 to \$40,000	\$0 to \$80,000	\$0 to \$40,000	\$0 to \$53,600	\$0 to \$2,650
<b>15%</b>	\$40,001 to \$441,450	\$80,001 to \$496,600	\$40,001 to \$248,300	\$53,601 to \$469,050	\$2,651 to \$13,150
<b>20%</b>	\$441,451 or more	\$496,601 or more	\$248,301 or more	\$469,051 or more	\$13,151 or more

## The Standard Deduction for 2020

As you probably know – or you'll find out when you file your 2019 tax return – personal exemptions have been eliminated under the new tax law. The \$4,050 you could claim up until 2017 for yourself, your spouse and any eligible dependents is now history, although, Tax Cut and Jobs Act is by law, set to expire after 2025, so we could see the previous rules come back in the future.

In its place, the standard deduction has been roughly doubled. That will work out well for singles and couples, but it could be a negative for anyone with dependents.

And like other numbers in the tax code, the standard deduction will be increasing slightly for 2020. Here's how that will look:

	2018	2019	2020
Single	\$12,000	\$12,200	\$12,400
Married, Filing Jointly	\$24,000	\$24,400	\$24,800
Head of Household	\$18,000	\$18,350	\$18,650

## Other Tax Numbers Changing in 2020

**199A Qualified Business Income Deduction.** Beginning in the 2018 tax year, the new tax law provides small business owners with a 20% deduction against qualified business income. It's officially referred to as the Section 199A deduction, and it applies to qualified business income attributable to a business owner of a pass-through entity like an LLC or partnership.

There are income limits, which depending on your type of business, could impact your ability to take the deduction. The income thresholds for 2018 – 2020 are as follows:

	2018	2019	2020
Single	\$157,500	\$160,700	\$163,300
Married, Filing Jointly	\$315,000	\$321,400	\$326,600

## Alternative Minimum Tax (AMT)

The AMT was created in the 1960s to impose taxes on taxpayers who claim an excessive amount of tax breaks. It provides a second set of tax rates that will be imposed if they exceed taxes as their taxable income is normally calculated.

The tax code provides an income exemption to the AMT, below which the tax will not apply. There is also an income phase-out beyond which the exemption no longer applies. Both are indexed for inflation. The income exemption figures for 2020 will be as follows:

	2018	2019	2020
Single	\$70,300	\$71,700	\$72,900
Married, Filing Jointly	\$109,400	\$111,700	\$113,400

## Retirement Contributions

A number of retirement related contribution limits changed for 2020.

### Plan contributions will look like this:

- » IRAs - \$6,000 plus a \$1,000 catch-up contribution if you're 50 or older.
- » Employer sponsored plans – 401(k), 403(b), 457, TSP - \$19,500, plus a \$6,500 catch-up contribution if you're 50 or older. Total plan limit of \$57,000 in 2020 or \$63,500 if age 50 or older.

### Other Major Changes Taking Place in 2020

- » Other changes taking place in 2020, without being indexed for inflation, include:
- » The elimination of the Affordable Care Act (ACA) penalty.
- » One of the more controversial provisions of the ACA was the imposition of a penalty on consumers with no health insurance coverage. The new tax law is finally ending that penalty.
- » The lifetime gift and estate tax exemption. This is scheduled to increase from \$11.4 million in 2019 to \$11.58 million in 2020. The annual gift exclusion will be \$15,000, unchanged from 2019.

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