

2020 Standard Deductions, Exemptions & Credits

Standard Deductions. The standard deduction for singles and married persons filing separate returns is \$12,400, up from \$12,200 in 2019. The deduction for married couples filing jointly and surviving spouses is \$24,800, up from \$24,400 in 2019. The deduction for head of household is \$18,650, up from \$18,350 in 2019.

FILING STATUS	STANDARD DEDUCTION AMOUNT
Single	\$12,400
Married Filing Jointly & Surviving Spouse	\$24,800
Married Filing Separately	\$12,400
Head of Household	\$18,650

Itemized Deductions. For high-income taxpayers who itemize their deductions, the Pease limitations, named after former Representative Don Pease (D-OH), previously capped or phased out certain deductions. The Pease limitation was eliminated as of the 2018 tax year, but will return after 2025 when the Tax Jobs and Cuts Act of 2017 expires, unless Congress takes action to adjust that expiration.

Personal Exemptions. There will be no personal exemption amounts for 2020. The personal exemption was eliminated as of the 2018 tax year, but will return after 2025 when the Tax Jobs and Cuts Act of 2017 expires, unless Congress takes action to adjust that expiration.

Family Related Tax Item Updates:

Earned Income Tax Credit (EITC). For 2020, the maximum EITC amount available is \$3,584 for taxpayers filing jointly with one child; \$5,920 for two children; \$6,660 for three or more children and \$538 for no children. Phaseouts are based on filing status and number of children and begin at \$8,790 for single taxpayers with no children and \$19,330 for single taxpayers with one or more children.

Child Tax Credit. The Child Tax Credit may be worth as much as \$2,000 per qualifying child depending on your income, and includes a refundable piece of up to \$1,400 per child. A refundable credit means that you can use the credit even if you do not owe any tax.

Kiddie Tax. For 2020, the exemption from the kiddie tax remains \$2,200. A parent will be able to elect to include a child's income on the parent's return for 2020 if the child's income is more than \$1,100 and less than \$11,000.

Adoption Credit. For 2020, the credit allowed for an adoption of a child with special needs is \$14,300, and the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to \$14,030. Phaseouts do apply beginning at taxpayers with modified adjusted gross income (MAGI) in excess of \$214,520 and completely phased out for taxpayers with MAGI of \$254,520 or more.

[continued...]

Information gathered from irs.gov

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Education Related Updates:

American Opportunity Tax Credit (AOTC). Formerly known as the Hope Scholarship Credit, the AOTC for 2020 will be an amount equal to 100% of qualified tuition and related expenses not in excess of \$2,000 plus 25% of those expenses in excess of \$2,000 but not in excess of \$4,000. That means that the maximum AOTC allowable for 2020 is \$2,500. Income restrictions do apply and for 2020, those kick in for taxpayers with MAGI in excess of \$80,000 (\$160,000 for a joint return).

Lifetime Learning Credit. As with the AOTC, income restrictions apply to the Lifetime Learning Credit. For 2020, those restrictions begin with taxpayers with MAGI in excess of \$59,000 (\$118,000 for a joint return).

Student Loan Interest Deduction. For 2020, the maximum amount that you can take as a deduction for interest paid on student loans remains at \$2,500. Phaseouts apply for taxpayers with MAGI in excess of \$70,000 (\$140,000 for joint returns), and is completely phased out for taxpayers with MAGI of \$85,000 or more (\$170,000 or more for joint returns).

Health Care and Fringe Benefit Updates:

Flexible Spending Accounts. The annual dollar limit on employee contributions to employer-sponsored healthcare flexible spending accounts (FSA) edges up to \$2,750 for 2020 (up from \$2,700 in 2019).

High-Deductible Health Plans (HDHP). For 2020, the minimum annual deductible for individual coverage is \$1,400, up from \$1,350 in 2019, and for family coverage is \$2,800, up from \$2,700 in 2019. The contribution limits for a Health Savings Account (HSA) for an individual remains at \$3,550, and for a family remains at \$7,100.

Qualified Transportation Fringe Benefit. For 2020, the monthly limitation for transportation in a commuter highway vehicle and any transit pass is \$270. The monthly limitation for qualified parking is \$270.

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