

2020 tax planning tables

2020 important deadlines

Last day to ...

January 15

- Pay fourth-quarter 2019 federal individual estimated income tax

January 28

- Buy in to close a short-against-the-box position (regular-way settlement) for 2019

April 1

- Take 2019 required minimum distribution (RMD) from traditional IRAs if you reached age 70½ in 2019

April 15

- File 2019 federal individual income tax return (or make payment with extension)
- Pay first-quarter 2020 federal individual estimated income tax
- Make 2019 contribution to traditional IRA, Roth IRA, Health Savings Account (HSA), or Education Savings Account (ESA)

June 15

- Pay second-quarter 2020 federal individual estimated income tax

September 15

- Pay third-quarter 2020 federal individual estimated income tax

October 15

- File 2019 federal individual income tax return subject to automatic extensions

November 30

- Double up to avoid violating the “wash sale” rule

December 31

- Sell stock or listed options to realize a gain or loss
- Take 2020 RMDs from traditional IRAs and most qualified plans if you reached age 70½ before 2020
- Complete a Roth IRA conversion
- Complete a 529 plan contribution
- Sell shares acquired through the 2020 exercise of incentive stock options (ISOs) in disqualifying disposition to limit alternative minimum tax (AMT) exposure
- Complete gifts for the current calendar year (charitable or other)

2020 income tax rate schedules*

Married taxpayer filing jointly/surviving spouse

If taxable income is:	The tax is:
\$0-\$19,750	10% of the taxable income
\$19,750-\$80,250	\$1,975.00 + 12% of excess over \$19,750
\$80,250-\$171,050	\$9,235.00 + 22% of excess over \$80,250
\$171,050-\$326,600	\$29,211.00 + 24% of excess over \$171,050
\$326,600-\$414,700	\$66,543.00 + 32% of excess over \$326,600
\$414,700-\$622,050	\$94,735.00 + 35% of excess over \$414,700
\$622,050 or more	\$167,307.50 + 37% of excess over \$622,050

Single taxpayer

If taxable income is:	The tax is:
\$0-\$9,875	10% of the taxable income
\$9,875-\$40,125	\$987.50 + 12% of excess over \$9,875
\$40,125-\$85,525	\$4,617.50 + 22% of excess over \$40,125
\$85,525-\$163,300	\$14,605.50 + 24% of excess over \$85,525
\$163,300-\$207,350	\$33,271.50 + 32% of excess over \$163,300
\$207,350-\$518,400	\$47,367.50 + 35% of excess over \$207,350
\$518,400 or more	\$156,235.00 + 37% of excess over \$518,400

Head of household

If taxable income is:	The tax is:
\$0-\$14,100	10% of the taxable income
\$14,100-\$53,700	\$1,410.00 + 12% of excess over \$14,100
\$53,700-\$85,500	\$6,162.00 + 22% of excess over \$53,700
\$85,500-\$163,300	\$13,158.00 + 24% of excess over \$85,500
\$163,300-\$207,350	\$31,830.00 + 32% of excess over \$163,300
\$207,350-\$518,400	\$45,926.00 + 35% of excess over \$207,350
\$518,400 or more	\$154,793.50 + 37% of excess over \$518,400

Married taxpayer filing separately

If taxable income is:	The tax is:
\$0-\$9,875	10% of the taxable income
\$9,875-\$40,125	\$987.50 + 12% of excess over \$9,875
\$40,125-\$85,525	\$4,617.50 + 22% of excess over \$40,125
\$85,525-\$163,300	\$14,605.50 + 24% of excess over \$85,525
\$163,300-\$207,350	\$33,271.50 + 32% of excess over \$163,300
\$207,350-\$311,025	\$47,367.50 + 35% of excess over \$207,350
\$311,025 or more	\$83,653.75 + 37% of excess over \$311,025

*Taxable income is income after all deductions (including either itemized or standard deduction).

Standard deductions

Married/joint	Single	Head of household	Married/separate	Dependents
\$24,800	\$12,400	\$18,650	\$12,400	\$1,100

For dependents with earned income, the deduction is the greater of \$1,100 or earned income + \$350 (up to \$12,400).

Additional standard deductions

Married, age 65 or older or blind	\$1,300*
Married, age 65 or older and blind	\$2,600*
Single, age 65 or older or blind	\$1,650
Single, age 65 or older and blind	\$3,300

*per person

Tax credit for dependents

	Modified adjusted gross income (MAGI)	Tax credit for each child younger than age 17
Married/joint	\$0 - \$400,000	\$2,000
Individual	\$0 - \$200,000	\$2,000

Tax credit is reduced by \$50 for each \$1,000 by which the taxpayer's MAGI exceeds the maximum threshold. Taxpayers may be eligible for an additional \$500 credit for qualifying dependents age 17 or older.

Alternative minimum tax (AMT)

Tax brackets

AMT income	Tax
Up to \$197,900*	26%
Over \$197,900	28%

*\$98,950 if married filing separately

AMT exemption

	Exemption	Phased out on excess over
Married filing joint and surviving spouse	\$113,400	\$1,036,800
Unmarried individual	\$72,900	\$518,400
Married filing separately	\$56,700	\$518,400
Trusts and estates	\$25,400	\$84,800

Capital gains and losses and dividends

	Long-term capital gain rate (longer than one year)		
	0%*	15%*	20%*
Single	\$0-\$40,000	\$40,001-\$441,450	\$441,451 +
Married filing jointly and surviving spouse	\$0-\$80,000	\$80,001-\$496,600	\$496,601 +
Head of household	\$0-\$53,600	\$53,601-\$469,050	\$469,051 +
Married filing separately	\$0-\$40,000	\$40,001-\$248,300	\$248,301 +
Trusts and estates	\$0-\$2,650	\$2,651-\$13,150	\$13,151 +

*Determine your capital gain bracket by adding your net long-term capital gains and/or qualified dividends to your other taxable income net of deductions.

For example, assume a joint filer has net taxable income of \$85,000 which includes \$20,000 in net long-term capital gain. The first \$15,000 of the gain falls within the 0% rate threshold of \$80,000 and will be taxed at 0%; while the remaining \$5,000 of long-term capital gain is above the \$80,000 threshold and will be taxed at 15%.

Short-term capital gain rate (one year or less)	Taxed at ordinary income tax rate.
Dividends	Qualified dividends are taxed at the long-term capital gain rates. Nonqualified dividends are taxed at ordinary income tax rates.

Higher rates apply to collectibles and unrecaptured §1250 gain. Consult your tax advisor about how they apply to your situation.

Netting capital gains and losses

1. Net short-term gains and short-term losses.
2. Net long-term gains and long-term losses.
3. Net short-term against long-term.
4. Deduct up to \$3,000 of excess losses against ordinary income per year.
5. Carry over any remaining losses to future tax years

Education planning

Education Savings Accounts (ESA)

- Maximum nondeductible contribution is \$2,000 per child, per year.
- Maximum contribution amount is lowered if a contributor's modified adjusted gross income (MAGI) is between:
 - \$95,000 and \$110,000 for individual filers
 - \$190,000 and \$220,000 for joint filers
- No contributions can be made if contributor's MAGI exceeds the stated limits or the beneficiary is age 18 or older.
- Interest, dividends, and capital gains grow tax-deferred and may be distributed federal-income-tax free as long as the money is used to pay qualified education expenses.

529 plans

- Earnings accumulate tax-deferred; qualified withdrawals may be federal-income-tax-free.
- State-tax incentives available in some states.
- Contributions up to \$75,000 (single) and \$150,000 (married couples) allowed in one year without a reduction in the applicable gift/estate tax exclusion (see page 6). No additional gifting in the current year or next four years without incurring potential gift tax implications.

Please consider the investment objectives, risk, charges, and expenses carefully before investing in a 529 savings plan. The official statement for a specific plan, which contains this and other information, can be obtained by calling your financial professional. Read it carefully before you invest.

American Opportunity Credit	
Maximum credit	\$2,500 per student for first four years of qualified expenses paid
MAGI phaseouts:	
Married filing jointly	\$160,000–\$180,000
Single filer	\$80,000–\$90,000

Lifetime Learning Credit	
Maximum credit	20% of first \$10,000 (per tax return) of qualified expenses paid in 2020
MAGI phaseouts:	
Married filing jointly	\$118,000–\$138,000
Single filer	\$59,000–\$69,000

Exclusion of U.S. Savings Bond interest

MAGI phaseouts:	
Married filing jointly	\$123,550–\$153,550
Others	\$82,350–\$97,350

Bonds must be titled in name(s) of taxpayer(s) only. Owner must be age 24 or older at time of issue. Must be Series EE issued after 1989 or any Series I bonds. Proceeds must be used for qualified postsecondary education expenses of the taxpayer, spouse, or dependent.

Student loan interest deduction

Maximum deduction	\$2,500
MAGI phaseouts:	
Married filing jointly	\$140,000–\$170,000
Others	\$70,000–\$85,000

Kiddie tax

Children who have not reached the age of 19 by the end of the tax year are subject to the “kiddie tax” rules. If the child continues to be a full-time student, the rules apply until he or she turns age 24. If a child is age 18 or older and provides more than half of his or her own support, the kiddie tax rules do not apply. The following tax rate schedule will apply (assumes no earned income).

Unearned income	Tax treatment
Less than \$1,100	No tax
\$1,100–\$2,200	Taxed at child's rate
More than \$2,200	Taxed at the higher of the parents' top marginal rate or the child's tax rate.

Estimated annual college costs

	Public	Private
2020	\$23,190	\$51,110
2025	\$26,366	\$60,118
2030	\$29,976	\$70,715
2035	\$34,081	\$83,178

Total yearly costs for in-state tuition, fees, books, and room and board (transportation and miscellaneous expenses not included). Base is 2019–2020 school year. Costs for all future years projected by Wells Fargo Advisors in November 2019 assuming a 2.6% national average increase per year for public and a 3.3% national average increase per year for private.

Source: Trends in College Pricing. © 2019 The College Board. Reprinted with permission. All rights reserved. collegeboard.org

Retirement accounts

Pretax 401(k), 403(b), 457, Roth 401(k), or 403(b)	
Employee maximum deferral contributions	Catch-up contribution (if age 50 or older)
\$19,500	\$6,500
Combined limit for Roth 401(k) or Roth 403(b) and pretax traditional 401(k) or pretax 403(b) deferral contributions is \$19,500 for those younger than 50.	
Traditional and Roth IRA	
Maximum contribution	Catch-up contribution (if age 50 or older)
\$6,000	\$1,000

2020 contributions must be made no later than the tax-filing deadline, regardless of tax extensions.

Traditional IRA deductibility limits

If neither individual nor spouse is a participant in another plan:
\$6,000* maximum deduction

If the individual is an active participant in another plan:

Married/joint MAGI [†]	Single MAGI [†]	Deduction
Up to \$104,000	Up to \$65,000	\$6,000* [‡]
\$104,000–\$124,000	\$65,000–\$75,000	Phased out
Over \$124,000	Over \$75,000	\$0

*If a spouse (working or nonworking) is not covered by a retirement plan but his or her spouse is covered, the spouse who is not covered is allowed full deductibility up to \$196,000 joint MAGI, phased out at \$206,000 joint MAGI.

[†]Modified adjusted gross income

[‡]Maximum deduction is \$7,000 if age 50 or older.

Note: Phaseout for married filing separately is \$0–\$10,000.

Roth IRA qualifications

- Contribution amount is limited if modified adjusted gross income (MAGI) is between:
 - \$124,000 and \$139,000 for individual returns*
 - \$196,000 and \$206,000 for married/joint filers
 - \$0 and \$10,000 for married filing separate
- Cannot contribute if MAGI exceeds limits.
- Contributions are not deductible.

*Includes single filers, head of household, and married filing separately if you did not live with your spouse at any time during the year.

Retirement plan limits

Maximum elective deferral to SIMPLE IRA and SIMPLE 401(k) plans	\$13,500
Catch-up contribution for SIMPLE IRA and SIMPLE 401(k) plans (if age 50 or older)	\$3,000
Maximum annual defined contribution plan limit	\$57,000
Maximum compensation for calculating qualified plan contributions	\$285,000
Maximum annual defined benefit limit	\$230,000
Threshold for highly compensated employee	\$130,000
Threshold for key employee in top-heavy plans	\$185,000
Maximum SEP contribution is lesser of limit or 25% of eligible income	\$57,000

Uniform Lifetime/Minimum Distribution Table

Age	Life Expectancy Factor	Age	Life Expectancy Factor
70	27.4	88	12.7
71	26.5	89	12.0
72	25.6	90	11.4
73	24.7	91	10.8
74	23.8	92	10.2
75	22.9	93	9.6
76	22.0	94	9.1
77	21.2	95	8.6
78	20.3	96	8.1
79	19.5	97	7.6
80	18.7	98	7.1
81	17.9	99	6.7
82	17.1	100	6.3
83	16.3	101	5.9
84	15.5	102	5.5
85	14.8	103	5.2
86	14.1	104	4.9
87	13.4	105	4.5

Social Security benefits

Earnings test

The earnings test indicates the level of earnings permissible for Social Security benefits recipients without incurring a reduction of benefits. These limits are indexed to increases in national earnings.

Worker younger than full retirement age	\$18,240
Year worker reaches full retirement age (applies only to earnings for months prior to attaining full retirement age)	\$48,600
Worker at full retirement age	No limit

Maximum monthly benefit: \$3,011

This benefit is for an individual who reaches full retirement age in 2020 and earns at least the maximum wage base amount for the best 35 years.

Information provided by the Social Security Administration.

Taxation thresholds

Up to a certain percentage of an individual's Social Security benefits is subject to taxation when his or her provisional income* exceeds certain threshold amounts:

	Up to 50% taxed	Up to 85% taxed
Married/joint	\$32,000-\$44,000	More than \$44,000
Single	\$25,000-\$34,000	More than \$34,000
Married filing separately	85% taxable†	

*Provisional income generally includes modified adjusted gross income (MAGI) plus nontaxable interest and one-half of Social Security benefits.

†There is an exception to this rule if you lived apart from your spouse for the entire year. Consult your tax advisor for more information.

Social Security tax rates

Maximum wage base for Social Security	\$137,700
Employee	6.20%
Employer	6.20%
Self-employed	12.40%

Medicare tax rates

Thresholds

Single	\$200,000
Married/joint	\$250,000
Married/separate	\$125,000
Trust/estate	\$12,950

	Below threshold	Above threshold
Tax rate on employee compensation		
<i>Compare thresholds to Medicare wages as reported on IRS Form W-2</i>		
Employee's tax rate	1.45%	2.35%*
Employer's tax rate	1.45%	1.45%

Tax rate on self-employment income		
<i>Compare threshold to net self-employment income as determined on IRS Form 1040 Schedule SE</i>		
Owner's rate	2.90%	3.80%*

Tax rate on net investment income		
<i>Compare threshold to MAGI</i>		
Investor's tax rate	0.00%	3.80%

*Includes the 0.9% Medicare surtax.

Health and long-term care

Long-term care deduction for medical care*	
Age attained before the close of the taxable year	Limit on premiums
40 or less	\$430
More than 40 but not more than 50	\$810
More than 50 but not more than 60	\$1,630
More than 60 but not more than 70	\$4,350
More than 70	\$5,430

*Limitations apply based on type of taxpayer. You should consult your tax advisor regarding your situation.

Health Savings Account (HSA) limits	
Maximum contribution	
Single	Family
\$3,550	\$7,100
<i>\$1,000 catch-up contribution allowed per individual age 55 or older</i>	
Minimum health insurance plan deductible	
Single	Family
\$1,400	\$2,800
Maximum out-of-pocket expenses	
Single	Family
\$6,900	\$13,800

Estate, gift, and generation-skipping transfer tax

Gift tax annual exclusion

\$15,000

An individual can give up to \$15,000 per person per year to any number of beneficiaries (family or nonfamily) without paying gift tax or “using up” any available applicable exclusion amount.

Estate and gift tax—basic exclusion

\$11,580,000

Estate or gift taxes apply to the extent that your cumulative transfers (lifetime exclusion gifts plus the taxable estate at death) exceed your applicable exclusion.

Your applicable exclusion consists of your \$11,580,000 basic exclusion plus any “unused” exclusion received from a spouse who predeceased you.

Portability: The election to transfer unused exclusion to a surviving spouse is made by filing an estate tax return. The filing deadline is 9 months after death for taxable estates, or 2 years after death if a return is filed solely to elect portability. (Election is only available if the first spouse died after 12/31/2010.)

Generation-skipping transfer (GST) tax exemption

\$11,580,000

Estate, gift, and GST tax rate

40%

Applies to transfers in excess of the applicable exclusion/GST exemption.

Federal trust and estate income tax

Tax rates*

If taxable income is:	The tax is:
\$0–\$2,600	10% of the taxable income
\$2,600–\$9,450	\$260.00 + 24% of excess over \$2,600
\$9,450–\$12,950	\$1,904.00 + 35% of excess over \$9,450
\$12,950 or more	\$3,129.00 + 37% of excess over \$12,950

*See page 2 for corresponding capital gain and qualified dividend rates.

Corporate income tax

- Tax rate—21%
- AMT at corporate level has been eliminated.

Note: There are no special federal capital gains rates for corporations. For corporations, capital losses are deductible only against capital gains.

Suggested spending guidelines

Mortgage payments	Not to exceed 28% of gross (pretax) income
Combined monthly debt	Not to exceed 36% of monthly gross (pretax) income

Compounding

At hypothetical rates of return

4%					
Monthly investment		5 years	10 years	20 years	30 years
\$50	Amount invested	\$3,000	\$6,000	\$12,000	\$18,000
	Value	\$3,326	\$7,387	\$18,400	\$34,818
\$100	Amount invested	\$6,000	\$12,000	\$24,000	\$36,000
	Value	\$6,652	\$14,774	\$36,800	\$69,636
\$500	Amount invested	\$30,000	\$60,000	\$120,000	\$180,000
	Value	\$33,260	\$73,870	\$183,998	\$348,181
\$1,000	Amount invested	\$60,000	\$120,000	\$240,000	\$360,000
	Value	\$66,520	\$147,741	\$367,997	\$696,363
6%					
Monthly investment		5 years	10 years	20 years	30 years
\$50	Amount invested	\$3,000	\$6,000	\$12,000	\$18,000
	Value	\$3,506	\$8,235	\$23,218	\$50,477
\$100	Amount invested	\$6,000	\$12,000	\$24,000	\$36,000
	Value	\$7,012	\$16,470	\$46,435	\$100,954
\$500	Amount invested	\$30,000	\$60,000	\$120,000	\$180,000
	Value	\$35,059	\$82,349	\$232,176	\$504,769
\$1,000	Amount invested	\$60,000	\$120,000	\$240,000	\$360,000
	Value	\$70,119	\$164,699	\$464,351	\$1,009,538
8%					
Monthly investment		5 years	10 years	20 years	30 years
\$50	Amount invested	\$3,000	\$6,000	\$12,000	\$18,000
	Value	\$3,698	\$9,208	\$29,647	\$75,015
\$100	Amount invested	\$6,000	\$12,000	\$24,000	\$36,000
	Value	\$7,397	\$18,417	\$59,295	\$150,030
\$500	Amount invested	\$30,000	\$60,000	\$120,000	\$180,000
	Value	\$36,983	\$92,083	\$296,474	\$750,148
\$1,000	Amount invested	\$60,000	\$120,000	\$240,000	\$360,000
	Value	\$73,967	\$184,166	\$592,947	\$1,500,295

Values shown are based on investments made at the beginning of each month, compounded monthly, and do not reflect the return of any particular investment. These tables are for illustrative purposes only and do not reflect the effects of taxes or transaction costs.

Our firm does not render legal or tax advice. While this reference guide is not intended to replace your discussions with your appointed tax advisor, it may help you comprehend the tax implications of your investments and plan tax efficiently.

Account(s) carried by First Clearing. First Clearing is a trade name used by Wells Fargo Clearing Services, LLC, Member SIPC.

© 2020 Wells Fargo Clearing Services, LLC. All rights reserved. 1219 IHA-6629090