

## Quick Reference Guide

A tool for preparing 2020 returns

At the close of every year, NATP pulls together a list of common facts and figures that tax professionals can reference throughout the coming tax season while preparing returns and advising clients.

### Personal exemption

For 2018–2025, the personal exemption deduction for taxpayer, spouse and dependents is zero. However, the personal exemption amount for other purposes (for example, the qualifying relative gross income test) is \$4,300 for 2020 and 2021.

### Standard deduction

The standard deduction amounts increased; however, the additional amount for age or blindness remains the same in 2021.

Filing Status	2020	2021
MFJ/Surviving Spouse (SS)	\$24,800	\$25,100
HH	\$18,650	\$18,800
Single	\$12,400	\$12,550
MFS	\$12,400	\$12,550
<b>Additional for age or blindness</b>		
MFJ/SS	\$1,300	\$1,350
Single or HH	\$1,650	\$1,700

For 2020 and 2021, the standard deduction for dependents who only have unearned income is \$1,100.

If the dependent has both earned and unearned income, the standard deduction is the greater of:

- \$1,100, or
- The dependent's earned income plus \$350, but not more than the basic standard deduction for his or her filing status

### Itemized deductions

For 2018–2025, the overall limitation (Pease limitation) on itemized deductions for taxpayers with AGI exceeding an applicable threshold does not apply.

**Medical expense deduction:** For 2020, medical expenses are subject to the 7.5%-of-AGI limitation regardless of age. This percentage was set to increase to 10% in 2021.

### Capital gains rates

The top tax rate for capital gains and qualified dividends is permanently set at 20% for taxpayers with taxable income in the highest tax bracket. The net investment income tax (NIIT) of 3.8% makes the overall capital gain rate for higher income taxpayers effectively 23.8%.

For tax years beginning after 2017, the 0% rate applies to capital gain below the maximum 0% rate amount. The 15% rate applies to capital gain at or above the 0% rate amount and below the maximum 15% rate amount. The 20% rate applies to capital gain at or above the 15% rate amount. These amounts will be indexed for inflation.

#### Beginning of Capital Gain Tax Brackets

2020	0%	15%	20%
MFJ, SS	\$0	\$80,001	\$496,601
HH	\$0	\$53,601	\$469,051
S	\$0	\$40,001	\$441,451
MFS	\$0	\$40,001	\$248,301
Estates and trusts	\$0	\$2,651	\$13,151

2021	0%	15%	20%
MFJ, SS	\$0	\$80,001	\$501,601
HH	\$0	\$54,101	\$473,751
S	\$0	\$40,401	\$445,851
MFS	\$0	\$40,401	\$250,801
Estates and trusts	\$0	\$2,701	\$13,251

The ordinary income tax rates for short-term capital gain, the unrecaptured §1250 rate of 25% and the collectible rate of 28% continue to apply.

### Additional Medicare tax

An additional Medicare tax of 0.9% applies to an individual's wages, *Railroad Retirement Tax Act* compensation and self-employment income if such compensation exceeds the following threshold amounts, which are not indexed for inflation:

- \$250,000 for MFJ
- \$125,000 for MFS
- \$200,000 for all others (SS, HH, S)

### Net investment income tax (NIIT)

A 3.8% Medicare tax is applied against net investment income of individuals, estates and trusts. For this purpose, "individual" means any natural person, except those who are nonresident aliens. As such, NIIT applies only to citizens or residents of the U.S. The NIIT is 3.8% of the lesser of:

- Net investment income for the year.
- The excess of modified adjusted gross income over the threshold amount of \$250,000 for MFJ and SS; \$125,000 for MFS; and \$200,000 for HH and S.
- Estates and trusts do not have any threshold as defined in §1411. They pay tax on the lesser of undistributed net investment income or the amount of adjusted gross income that exceeds the highest tax bracket of \$12,950 for 2020 and \$13,050 for 2021.

### Alternative minimum tax (AMT)

	2020 Exemption	2020 Phaseout
MFJ, SS	\$113,400	\$1,036,800–\$1,490,400
S, HH	\$72,900	\$518,400–\$810,000
MFS	\$56,700	\$518,400–\$745,200
For a child subject to kiddie tax	\$7,900 plus child's earned income not to exceed \$72,900	\$518,400–\$810,000
Estates and trusts	\$25,400	\$84,800–\$186,400

	2021 Exemption	2021 Phaseout
MFJ, SS	\$114,600	\$1,047,200–\$1,505,600
S, HH	\$73,600	\$523,600–\$818,000
MFS	\$57,300	\$523,600–\$752,800
For a child subject to kiddie tax	\$7,950 plus child's earned income not to exceed \$73,600	\$523,600–\$818,000
Estates and trusts	\$25,700	\$85,650–\$188,450

### Income Tax Rates

#### 2020 Threshold for Tax Rates

	10%	12%	22%	24%	32%	35%	37%
S	\$0	\$9,876	\$40,126	\$85,526	\$163,301	\$207,351	\$518,401
MFJ, SS	\$0	\$19,751	\$80,251	\$171,051	\$326,601	\$414,701	\$622,051
MFS	\$0	\$9,876	\$40,126	\$85,526	\$163,301	\$207,351	\$311,026
HH	\$0	\$14,101	\$53,701	\$85,501	\$163,301	\$207,351	\$518,401
Trusts and estates	\$0	N/A	N/A	\$2,601	N/A	\$9,451	\$12,951

#### 2021 Threshold for Tax Rates

	10%	12%	22%	24%	32%	35%	37%
S	\$0	\$9,951	\$40,526	\$86,376	\$164,926	\$209,426	\$523,601
MFJ, SS	\$0	\$19,901	\$80,051	\$172,751	\$329,851	\$418,851	\$628,301
MFS	\$0	\$9,951	\$40,526	\$86,376	\$164,926	\$209,426	\$314,151
HH	\$0	\$14,201	\$54,201	\$86,351	\$164,901	\$209,401	\$523,601
Estates and trusts	\$0	N/A	N/A	\$2,651	N/A	\$9,551	\$13,051



### Kiddie tax

For 2020 and 2021, kiddie tax applies to a child who is required to file a tax return, does not file a joint return, has at least one living parent, has more than \$2,200 of unearned income and is any one of the following:

- Under age 18 at the end of the year
- Age 18 and did not have earned income that was more than half of their support
- A full-time student over age 18 and under age 24 at the end of the year, and did not have earned income that was more than half of their support
- For tax years beginning after 2019, the child's unearned income is taxed at the parents' tax rates if the parents' rates are higher than the child's rates

### Adoption credit

The maximum nonrefundable credit increased to \$14,300 for 2020. The credit begins to phase out when MAGI exceeds \$214,520 and is completely phased out when MAGI reaches \$254,520.

The maximum credit increases to \$14,440 for 2021. The credit begins to phase out when MAGI exceeds \$216,660 and completely phases out when MAGI reaches \$256,660.

### Child and dependent care credit

The minimum child and dependent care credit is 20%, and the maximum is 35% based on AGI. The amount of eligible expenses is \$3,000 for one child and \$6,000 for two or more children.

### Child tax credit

For 2018–2025, the maximum child tax credit is \$2,000 for each qualifying child. Furthermore, the maximum refundable child tax credit is \$1,400 per child for 2020 and 2021, but is limited to the greater of:

- 15% of earned income above \$2,500, or
- The excess of the taxpayer's Social Security taxes for the year over the earned income credit for the year for taxpayers with three or more qualifying children

The *Tax Cuts and Jobs Act* (TCJA) also added a \$500 nonrefundable credit for each dependent who is not a qualifying child for purposes of the child tax credit. In other words, taxpayers can claim the \$500 other dependent credit (ODC) for qualifying children age 17 or older and for qualifying relatives.

Beginning with tax year 2018, no child tax credit is allowed for a qualifying child if such child does not have a Social Security number (SSN) by the due date of the tax return (including extensions). However, children without a valid SSN may still qualify for the ODC if they have an individual taxpayer identification number (ITIN) or adoption taxpayer identification number (ATIN) by the due date, including extensions.

Child tax credit phaseout begins:

Filing Status	MAGI
MFJ	\$400,000
All others	\$200,000

### Earned income tax credit

The maximum amount of income a taxpayer can earn and still be eligible for the earned income tax credit increased. If earned income or AGI exceeds the following amounts, the earned income tax credit is zero.

#### 2020

Taxpayer	MFJ	Other Than MFJ	Max. Credit
With one child	\$47,646	\$41,756	\$3,584
With two children	\$53,330	\$47,440	\$5,920
With three or more children	\$56,884	\$50,954	\$6,660
With no children	\$21,710	\$15,820	\$538

#### 2021

Taxpayer	MFJ	Other Than MFJ	Max. Credit
With one child	\$48,108	\$42,158	\$3,618
With two children	\$53,865	\$47,915	\$5,980
With three or more children	\$57,414	\$51,464	\$6,728
With no children	\$21,920	\$15,890	\$543

The maximum amount of investment income a taxpayer may have and still be eligible for the credit is \$3,650 for 2020 and \$3,650 for 2021.

## Education credits

2020

Credit	Maximum Amount
Lifetime learning credit	\$2,000
American opportunity tax credit	\$2,500

2021

Credit	Maximum Amount
Lifetime learning credit	\$2,000
American opportunity tax credit	\$2,500

The maximum lifetime learning credit is the lesser of 20% of the first \$10,000 of qualified higher education expenses or \$2,000.

The maximum American opportunity tax credit (AOTC) is 100% of the first \$2,000 of qualified higher education tuition and related expenses, plus 25% of the next \$2,000 of such expenses paid during the tax year, equaling a maximum credit of \$2,500. Up to 40% of the credit may be refundable, unless it is claimed by a child who could be subject to the kiddie tax provisions no matter how much unearned income the child has.

### 2020 Phaseout

Filing Status	AOTC	Lifetime Learning Credit
MFJ, SS	\$160,000–\$180,000	\$118,000–\$138,000
S, HH	\$80,000–\$90,000	\$59,000–\$69,000
MFS	Not available	Not available

### 2021 Phaseout

Filing Status	AOTC	Lifetime Learning Credit
MFJ, SS	\$160,000–\$180,000	\$119,000–\$139,000
S, HH	\$80,000–\$90,000	\$59,000–\$69,000
MFS	Not available	Not available

## Educator expense deduction

An eligible educator can take an above-the-line deduction for out-of-pocket classroom-related expenses. For 2020 and 2021, the deduction may not exceed \$250.

## Student loan interest deduction

Taxpayers can deduct up to \$2,500 of interest paid on qualified education loans that were used for qualified education expenses of the taxpayer, spouse or dependents when the loan was taken out. To deduct the amount paid, the taxpayer must be legally liable for the loan.

2020

Filing Status	Phaseout
MFJ, SS	\$140,000–\$170,000
All others	\$70,000–\$85,000
MFS	Not available

2021

Filing Status	Phaseout
MFJ, SS	\$140,000–\$170,000
All others	\$70,000–\$85,000
MFS	Not available

## Health savings account (HSA)

Like IRAs, funds in HSAs are 100% tax-deferred until distributed. A non-dependent taxpayer insured by a high deductible health plan (HDHP) may deduct monthly HSA contributions up to an annual limit.

2020

Coverage	Annual Contribution Limit	HDHP Minimum Deductible	HDHP Max. Out of Pocket
Individual	\$3,550	\$1,400	\$6,900
Family	\$7,100	\$2,800	\$13,800

2021

Coverage	Annual Contribution Limit	HDHP Minimum Deductible	HDHP Max. Out of Pocket
Individual	\$3,600	\$1,400	\$7,000
Family	\$7,200	\$2,800	\$14,000

If the HSA beneficiary is age 55 or older at the end of the year, the annual contribution limit is increased by \$1,000 [§223(b)(3)]. If both spouses are age 55 or older and eligible individuals, they can each contribute an additional \$1,000 to their own HSA. To reiterate, if they both want to take advantage of the additional \$1,000, each must have their own HSA in which to contribute.



## Long-term care premiums annual deductible limit

Taxpayer's age at the close of the tax year	2020	2021
40 or under	\$430	\$450
More than 40 but not more than 50	\$810	\$850
More than 50 but not more than 60	\$1,630	\$1,690
More than 60 but not more than 70	\$4,350	\$4,520
More than 70	\$5,430	\$5,640

## Archer medical savings account (MSA)

2020

Health Plan	Annual Deductible	Maximum Out-of-Pocket Expenses	Annual Maximum Deduction*
Individual	\$2,350–\$3,550	\$4,750	65% of deductible
Family	\$4,750–\$7,100	\$8,650	75% of deductible

2021

Health Plan	Annual Deductible	Maximum Out-of-Pocket Expenses	Annual Maximum Deduction*
Individual	\$2,400–\$3,600	\$4,800	65% of deductible
Family	\$4,800–\$7,150	\$8,750	75% of deductible

\* If the plan is established by a self-employed individual, the limit is the lesser of the related trade or business earned income or the applicable percentage.

## Health flexible spending arrangement (FSA)

Voluntary employee salary reduction contributions to a health FSA cannot exceed \$2,750 for 2020 and 2021.

## QSEHRA

For 2020, the total amount of payments and reimbursements under a qualified small employer health reimbursement arrangement (QSEHRA) cannot exceed \$5,250 (\$10,600 for family coverage). For 2021, this amount increases to \$5,300 (\$10,700 for family coverage).

## Refundable credit: Qualified health plan

The limitation on tax imposed under §36B(f)(2)(B) for excess advance credit payments is determined using the following tables:

2020

If household income (expressed as a percent of the poverty line) is:	Limitation amount for single filers	Limitation amount for MFJ, SS, HH, MFS
Less than 200%	\$325	\$650
At least 200%, but less than 300%	\$800	\$1,600
At least 300%, but less than 400%	\$1,350	\$2,700

2021

If household income (expressed as a percent of the poverty line) is:	Limitation amount for single filers	Limitation amount for MFJ, SS, HH, MFS
Less than 200%	\$325	\$650
At least 200%, but less than 300%	\$800	\$1,600
At least 300%, but less than 400%	\$1,350	\$2,700

## IRA: Contribution limit to traditional and Roth IRAs

For 2020 and 2021, the contribution limit to a traditional or Roth IRA is \$6,000 (\$7,000 for taxpayers age 50 or older). Starting in 2020, there is no age limit on making contributions to a traditional IRA if the taxpayer has earned income such as wages or self-employment.

## IRA: Deduction phaseout for traditional IRAs

2020

Filing Status	Taxpayer Covered by Employer Plan
S, HH	\$65,000–\$75,000
MFJ, SS	\$104,000–\$124,000
MFS*	\$0–\$10,000

Filing Status	Spouse of Covered Employee
S, HH	N/A
MFJ, SS	\$196,000–\$206,000
MFS*	\$0

2021

Filing Status	Taxpayer Covered by Employer Plan
S, HH	\$66,000–\$76,000
MFJ, SS	\$105,000–\$125,000
MFS*	\$0–\$10,000

Filing Status	Spouse of Covered Employee
S, HH	N/A
MFJ, SS	\$198,000–\$208,000
MFS*	\$0

## IRA: MAGI phaseout for Roth IRA contributions

2020

Filing Status	Phaseout
MFJ	\$196,000–\$206,000
MFS (lived with spouse)	\$0–\$10,000
S, HH, SS, or MFS*	\$124,000–\$139,000

2021

Filing Status	Phaseout
MFJ	\$198,000–\$208,000
MFS (lived with spouse)	\$0–\$10,000
S, HH, SS, or MFS*	\$125,000–\$140,000

\* If a taxpayer is filing MFS and did not live with their spouse at any time during the year, they are considered single for IRA deduction purposes.

## Saver's credit

A saver's credit can be claimed using Form 8880, *Credit for Qualified Retirement Savings Contributions*. The credit is calculated by multiplying the applicable rate by the qualified retirement plan contributions not to exceed \$2,000. The maximum credit is \$1,000 per person. The applicable credit rate determined by filing status and MAGI for 2020 and 2021 are shown below:

2020

Filing Status	50%	20%	10%	No Credit
MFJ	\$0–\$39,000	\$39,001–\$42,500	\$42,501–\$65,000	Over \$65,000
HH	\$0–\$29,250	\$29,251–\$31,875	\$31,876–\$48,750	Over \$48,750
All others	\$0–\$19,500	\$19,501–\$21,250	\$21,251–\$32,500	Over \$32,500

2021

Filing Status	50%	20%	10%	No Credit
MFJ	\$0–\$39,500	\$39,501–\$43,000	\$43,001–\$66,000	Over \$66,000
HH	\$0–\$29,625	\$29,626–\$32,250	\$32,251–\$49,500	Over \$49,500
All others	\$0–\$19,750	\$19,751–\$21,500	\$21,501–\$33,000	Over \$33,000



## Social Security

For 2020, the maximum wages subject to Social Security tax is \$137,700. For 2021, the maximum wage amount increases to \$142,800.

## Annual gift tax exclusion

For 2020 and 2021, the annual gift tax exclusion is \$15,000 per person. The 2020 annual exclusion to a spouse who is not a citizen of the United States is \$157,000. This annual exclusion increases to \$159,000 for tax year 2021.

## Estate tax exclusion

The estate tax exclusion is \$11,580,000 for 2020. This amount increases to \$11,700,000 for 2021.

## Foreign earned income exclusion

For 2020, a qualified individual may exclude up to \$107,600 of qualified foreign earned income using Form 2555, *Foreign Earned Income*. For 2021, this amount increases to \$108,700.

## BUSINESS TAX ISSUES

### Cash method of accounting

For tax years beginning after 2017, the gross receipts limit under §448(c) for using the cash method of accounting for corporations and partnerships increased under the TCJA to \$25 million for 2018. This amount increased to \$26 million for 2020 and 2021.

### §179 expensing

For 2020, taxpayers may expense up to \$1,040,000 of qualifying property acquired for use in a trade or business, while the SUV limit is \$25,900. The deduction phaseout begins at \$2,590,000 on purchases of qualifying property, including qualified real property.

For property placed in service in tax years beginning after 2017, qualified real property means:

- Qualified improvement property, and
- Any of the following improvements to nonresidential real property: roofs, heating, ventilation, and air conditioning (HVAC) property, fire protection and alarm systems, security systems

For 2021, the aggregate amount taxpayers may expense increases to \$1,050,000, and the SUV limit increases to \$26,200. However, the deduction is reduced

when the cost of qualifying property exceeds \$2,620,000.

### Luxury automobile depreciation limits for vehicles first placed in service in 2020

Passenger autos and light trucks and vans all have the same limits.

	Purchased after 9/27/17
1st year – 2020	\$10,100
1st year with bonus	\$18,100
2nd year	\$16,100
3rd year	\$9,700
Succeeding years	\$5,760

### Standard mileage rates for 2020

Business mileage	57.5¢
Medical or moving mileage	17¢
Charity	14¢
Depreciation component	27¢

### Per diem allowance substantiation method

Standard Rate*	M&IE	Lodging	Total
Oct. 1, 2019– Sept. 30, 2020	\$55	\$96	\$151
Oct. 1, 2020– Sept. 30, 2021	\$55	\$96	\$151

\* See [gsa.gov](http://gsa.gov) for rates for specific cities.

The incidentals allowance is \$5 for travel both inside and outside the United States.

### Per diem meal allowance for transportation industry

	2019–2020	2020–2021
Travel inside the U.S.	\$66	\$66
Travel outside the U.S.	\$71	\$71



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### Day care per diem for meals

The standard meal and snack rates allowed for day care facilities are equal to the Tier 1 reimbursement rates established by the Child and Adult Care Food Program (CACFP). The Department of Agriculture changes the rates every July; therefore, the IRS uses the rates in effect as of Dec. 31 of the prior year for the entire year (for example, Dec. 31, 2020, rates apply for all of 2021), even though the CACFP rates change in July (<http://www.fns.usda.gov/cacfp/reimbursement-rates>).

The taxpayer is required to keep a log for the number of meals and snacks served to each child. The rate represents the amount allowed as a deduction per child for the corresponding type of meal served.

#### 2020

Meal	Contiguous States	Alaska	Hawaii
Breakfast	\$1.33	\$2.12	\$1.54
Lunch and Supper	\$2.49	\$4.04	\$2.92
Snack	\$0.74	\$1.20	\$0.87

#### 2021

Meal	Contiguous States	Alaska	Hawaii
Breakfast	\$1.39	\$2.22	\$1.62
Lunch and Supper	\$2.61	\$4.24	\$3.06
Snack	\$0.78	\$1.26	\$0.91

### Qualified business income (QBI) deduction

The QBI deduction may be phased out or limited when taxable income exceeds the following thresholds.

Filing Status	2020	2021
Single, HH	\$163,300	\$164,900
MFJ	\$326,600	\$329,800
MFS	\$163,300	\$164,925

### Excess business loss

For 2018–2025, an excess business loss limitation applies to taxpayers (other than C corporations). Section 461(l) limits the ability of noncorporate taxpayers to use trade or business losses against other sources of income, such as wages, interest, dividends and capital gains.

The CARES Act suspended the excess business loss limitations for tax years 2018–2020.

For 2021, noncorporate business losses are limited to \$262,000 (\$524,000 if MFJ).

### Self-employment optional methods

In 2020, the following dollar limits apply:

- Under the farm optional method, if the individual's gross farm income is \$8,460 or less or net farm income is less than \$6,017, net earnings from self-employment equals the smaller of two-thirds of gross farm income (not less than zero) or \$5,640. The individual can use this method year after year. There is no limit on the number of years a taxpayer can use this method.
- Under the nonfarm optional method, if net nonfarm profits are less than \$6,107 and also less than 72.189% of gross nonfarm income, and net earnings from self-employment were at least \$400 in two of the prior three years, net earnings from self-employment equal the smaller of two-thirds of gross nonfarm income (not less than zero) or \$5,640. There is a five-year lifetime limit on the use of the nonfarm optional method. However, the five years do not have to be consecutive. ▶



**Cost-of-Living Adjustments for Qualified Retirement Plans**

Annual Elective Deferral Limit	2021	2020	2019	2018
§401(k)	\$19,500	\$19,500	\$19,000	\$18,500
§401(k) age 50 or older*	\$26,000	\$26,000	\$25,000	\$24,500
§403(b) annuity	\$19,500	\$19,500	\$19,000	\$18,500
§403(b) age 50 or older*	\$26,000	\$26,000	\$25,000	\$24,500
SARSEP	\$19,500	\$19,500	\$19,000	\$18,500
SARSEP age 50 or older*	\$26,000	\$26,000	\$25,000	\$24,500
SIMPLE and SIMPLE 401(k)	\$13,500	\$13,500	\$13,000	\$12,500
SIMPLE and SIMPLE 401(k) age 50 or older*	\$16,500	\$16,500	\$16,000	\$15,500
§457 (government and exempt organizations)	\$19,500	\$19,500	\$19,000	\$18,500
§457 age 50 or older*	\$26,000	\$26,000	\$25,000	\$24,500
Annual benefit limit for defined benefit plan	\$230,000	\$230,000	\$225,000	\$220,000
Annual benefit limit for defined contribution plan	\$58,000	\$57,000	\$56,000	\$55,000
Annual benefit limit for defined contribution plan age 50 or older	\$64,500	\$63,500	\$62,000	\$61,000
Annual compensation limit	\$290,000	\$285,000	\$280,000	\$275,000
SEP minimum compensation limit	\$650	\$600	\$600	\$600
Highly compensated employee (based on previous year's compensation)	\$130,000	\$130,000	\$125,000	\$120,000
Key employee compensation in top-heavy plan	\$185,000	\$185,000	\$180,000	\$175,000
IRA or Roth**	\$6,000	\$6,000	\$6,000	\$5,500
IRA or Roth age 50 or older**	\$7,000	\$7,000	\$7,000	\$6,500

\* A participant who is projected to attain age 50 before the end of a calendar year is deemed to be age 50 as of January 1 of that year. This optional provision must first be elected by the pension plan sponsor (employer).

\*\* Lesser of this or earned income.

