



# DESK REFERENCE

TAX YEAR 2020

How you prepare for tax season can influence how smoothly your season goes. Here are some important steps your office can take.

## Preseason Checklist

**Complete Your Continuing Professional Education.** Ensure you have all the CPE needed to renew your professional licenses and understand tax law changes prior to tax season by visiting [DrakeCPE.com](http://DrakeCPE.com).

**Register for or Renew Your PTIN.** A PTIN is required for all return preparers who are compensated for preparing or assisting in preparation of a tax return. Visit [IRS.gov/Tax-Professionals/PTIN-Requirements-for-Tax-Return-Preparers](http://IRS.gov/Tax-Professionals/PTIN-Requirements-for-Tax-Return-Preparers) to register, renew, and learn more.

**Order Tax Preparation Software.** Look for a software package that includes everything you need and that you can trust. Consider Drake Tax.

**Verify Your Office Equipment Meets System Requirements.** Does your hard drive have enough available space? Is your network operational? Are your printers and scanners compatible?

**Install and Test Your Tax Software Package.** We hope you've chosen software that's delivered early.

**Purchase Office Supplies.** Don't forget toner, paper, pens, and folders.

**Test Printers.** Test any new setup features included in your software. Make sure bar codes are printed correctly and that you understand how to choose which forms are printed and how to print sets.

**Send Organizers or Letters.** These tools help make sure your clients bring the correct information to their appointments. Sending organizers is easier than ever, thanks to Drake Software's SecureFilePro platform, and Drake Tax produces professional letters with just a couple of mouse clicks.

**Educate Yourself on Tax Law Changes.** This desk reference is a great introduction to tax law changes. Online research, the IRS website, and state tax departments are great resources as well.

**Begin Preseason Scheduling.** This will give you a jump-start on tax season and help early-filer clients see you as soon as possible.

**Train Your Staff.** Make sure everyone understands their duties and is familiar with the software. Once tax season hits, you may not have time to review.

**Update Your Filing System.** If you're considering going paperless, make sure you're familiar with the steps you need to take. If you prefer paper, make sure you shred any unnecessary paperwork to free up additional space.

**Establish Billing Amounts.** Configuring pricing in your software now will save you a lot of time later.

**Determine Incentives.** If you plan to offer rebates or other incentives, make sure the process is well thought out. This will eliminate kinks in the midst of your busy season.

**Sign Up with a Bank If You Plan to Offer Bank Products.** Signing up now helps you avoid delays when it's time to process that first bank product. You may need to complete an application with your software vendor, too.

## Drake Software Support Website

Drake's Support website ([Support.DrakeSoftware.com](http://Support.DrakeSoftware.com)) offers you a wealth of resources available 24 hours a day. Sign in to your Drake Support account by entering your username and password. The most commonly accessed resources are available on the Home page; you can find others by choosing from the following sidebar options:

**Account** – Access and edit your account information, view serial numbers, submit bank applications, and access your online EF database, where you can customize, view, and print reports reflecting the statuses of returns, bank products, checks, fees, and more.

**Purchasing** – Make tax return preparation easier by purchasing Drake Tax and supplementary programs such as Drake Accounting, Drake Portals, Drake E-Sign, and GruntWorx. Purchase compatible office supplies as well as W-2 blocks to seamlessly integrate W-2s from more than one million employers.

**Products** – Learn more about Drake Software's products and partners.

**Support** – Contact customer support, download product manuals, participate in forums, and find answers to your questions in Drake Knowledge Base.

**Downloads** – Download programs, both current and past versions, as well as conversion packages for last year's tax data.

**Training** – Become a tax expert and earn CPE by enrolling in Virtual Update Schools and Virtual Classroom Training, or learn at your own pace through Drake's e-Training Center in addition to watching video tutorials and filing practice returns.

Be sure to visit [DrakeSoftware.com](http://DrakeSoftware.com) for the most recently updated version of the Desk Reference Guide.

# TAX PREPARERS' DUE DILIGENCE REQUIREMENTS

Paid preparers who file EITC, CTC/ACTC/ODC, AOTC, or HOH returns, or claims for refunds for clients, must meet due diligence requirements. Those who fail to do so can be assessed a \$540 penalty for each failure.



| Requirement                                 | As a paid tax return preparer you must:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Knowledge</b></p>                     | <ul style="list-style-type: none"> <li>• Have no knowledge that any information used to determine a client's eligibility for refundable credit, or the amount, is incorrect.</li> <li>• Be aware that all information given by the client, or known by you, is not absolute and that additional inquiries must be made if a reasonable and well-informed tax return preparer, knowledgeable in the law, would conclude the information is incomplete, inconsistent, or incorrect.</li> <li>• Know the law, and use your knowledge of the law, to ensure you are asking your client the right questions to gather all relevant information.</li> <li>• Document any additional questions you ask at the time of the interview, as well as your client's answers.</li> </ul> <p>The Treasury Regulations give application examples of the knowledge requirement. Find the regulations and requirements for tax return preparer due diligence on the <a href="#">Government Printing Office site</a>.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p><b>Complete and Submit Form 8867</b></p> | <ul style="list-style-type: none"> <li>• Complete Form 8867, Paid Preparer's Due Diligence Checklist, for each EITC, CTC/ACTC/ODC, AOTC, or HOH claim you prepare.</li> <li>• Complete the compliance checklist with due diligence requirements and information provided by your clients.</li> <li>• Submit the completed Form 8867 to the IRS with every electronic return you prepare claiming the EITC, CTC/ACTC/ODC, AOTC, or HOH.</li> <li>• Attach the completed Form 8867 to every paper return or claim for refund you prepare for the EITC, CTC/ACTC/ODC, AOTC, or HOH, and stress to your client the importance of sending it with the return or claim for refund to the IRS.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p><b>Keep Records</b></p>                  | <ul style="list-style-type: none"> <li>• Keep a copy of the Form 8867 and the worksheets used to determine credits.</li> <li>• Keep a record of all additional questions you asked your clients, as well as your client's answers, that would help you comply with due diligence requirements.</li> <li>• Keep copies of any documents your client gives you on which you relied to determine eligibility for, or the amount of, the credits.</li> <li>• Keep a record of how, when, and from whom you obtained the information used to complete the return.</li> <li>• Keep your records in either paper or electronic format, and make sure you can produce them if the IRS asks for them.</li> <li>• Keep these records for three years from the latest date of the following that apply:             <ul style="list-style-type: none"> <li>• The original due date of the tax return (this does not include any extension of time for filing).</li> <li>• If you electronically file the return or claim for refund and sign it as the return preparer, the date the tax return or claim for refund is filed.</li> <li>• If the return or claim for refund is not filed electronically and you sign it as the return preparer, the date you present the tax return or claim for refund to your client for signature.</li> <li>• If you prepare part of the return or claim for refund and another preparer completes and signs the return or claim for refund, you must keep the part of the return you were responsible for completing for 3 years from the date you submit it to the signing tax return preparer.</li> </ul> </li> <li>• Keep these records in either paper or electronic format in a secure place to protect your client's personal information.</li> </ul> |

## 2020 MEDICAL SAVINGS ACCOUNTS (MSA)

### 2020 Annual Deductible Range

|                    |                     |
|--------------------|---------------------|
| Self-Only Coverage | \$ 2,350 - \$ 3,550 |
| Family Coverage    | \$ 4,750 - \$ 7,100 |

### Maximum Out of Pocket

|                    |          |
|--------------------|----------|
| Self-Only Coverage | \$ 4,750 |
| Family Coverage    | \$ 8,650 |

## HEALTH SAVINGS ACCOUNT (HSA)

### 2020 Maximum Annual Contribution Limits

|                    |          |
|--------------------|----------|
| Self-Only Coverage | \$ 3,550 |
| Family Coverage    | \$ 7,100 |

### 2020 Minimum Deductible

|                    |          |
|--------------------|----------|
| Self-Only Coverage | \$ 1,400 |
| Family Coverage    | \$ 2,800 |

### 2020 Maximum Out of Pocket

|                    |           |
|--------------------|-----------|
| Self-Only Coverage | \$ 6,900  |
| Family Coverage    | \$ 13,800 |

### Additional Over Age 55 - 65

|                |          |
|----------------|----------|
| 2020 and after | \$ 1,000 |
|----------------|----------|

## ADOPTION CREDIT

|                                                |                         |
|------------------------------------------------|-------------------------|
| Maximum credit for a child with special needs  | \$ 14,300               |
| Other adoptions, qualified expenses            | Up to \$ 14,300         |
| Phaseout range, modified adjusted gross income | \$ 214,520 - \$ 254,520 |

## BONUS DEPRECIATION

### Assets Placed in Service

|      |      |
|------|------|
| 2020 | 100% |
|------|------|

## SECTION 179 EXPENSE

|                    |              |
|--------------------|--------------|
| Expense limit      | \$ 1,040,000 |
| Phaseout threshold | \$ 2,590,000 |

## FICA (SS & MEDICARE) WAGE BASE

|                             |            |
|-----------------------------|------------|
| Social Security wage base   | \$ 137,700 |
| Maximum Social Security tax | \$ 8,537   |
| Medicare wage base          | No ceiling |
| Maximum Medicare wage tax   | No ceiling |

## STANDARD DEDUCTIONS

| IF Your Filing Status Is...               | Base Amount                        | Additional Amount for Blindness or Over Age 65 |
|-------------------------------------------|------------------------------------|------------------------------------------------|
| Single                                    | \$ 12,400                          | \$1,650                                        |
| Married Filing Jointly                    | \$ 24,800                          | \$1,300                                        |
| Married Filing Separately                 | \$ 12,400                          | \$1,300                                        |
| Head of Household                         | \$ 18,650                          | \$1,650                                        |
| Qualifying Widow(er) with Dependent Child | \$ 24,800                          | \$1,300                                        |
| Dependent of Another                      | \$1,100 (or Earned income + \$350) | \$1,300 (\$1,650 if single or HOH)             |

## MACRS RECOVERY PERIODS

| Type of Property                                                                                                             | MACRS Recovery Period       |                                 |
|------------------------------------------------------------------------------------------------------------------------------|-----------------------------|---------------------------------|
|                                                                                                                              | General Depreciation System | Alternative Depreciation System |
| Computers and their peripheral equipment                                                                                     | 5 years                     | 5 years                         |
| Office machinery, such as:<br>Scanners<br>Calculators<br>Copiers                                                             | 5 years                     | 6 years                         |
| Automobiles                                                                                                                  | 5 years                     | 5 years                         |
| Light trucks                                                                                                                 | 5 years                     | 5 years                         |
| Appliances, such as:<br>Stoves<br>Refrigerators                                                                              | 5 years                     | 9 years                         |
| Carpets                                                                                                                      | 5 years                     | 9 years                         |
| Furniture used in rental property                                                                                            | 5 years                     | 9 years                         |
| Office furniture and equipment, such as:<br>Desks<br>Tables                                                                  | 7 years                     | 10 years                        |
| Any property that does not have a class life and that has not been designated by law as being in any other class             | 7 years                     | 12 years                        |
| Roads                                                                                                                        | 15 years                    | 20 years                        |
| Shrubbery                                                                                                                    | 15 years                    | 20 years                        |
| Fences                                                                                                                       | 15 years                    | 20 years                        |
| Residential rental property (buildings or structures) and structural components such as furnaces, water pipes, venting, etc. | 27.5 years                  | 30 years                        |
| Nonresidential real property                                                                                                 | 39 years                    | 40 years                        |

Additions and improvements, such as a new roof

The same recovery period as that of the property to which the addition or improvement is made, determined as if the property were placed in service at the same time as the addition or improvement.

See Publication 946—How To Depreciate Property

## Compliments of Drake Software

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## 2020 FILING REQUIREMENTS FOR MOST TAXPAYERS

| IF Your Filing Status Is...               | AND at the end of 2020 you were... | THEN file a return if your gross income was at least... |
|-------------------------------------------|------------------------------------|---------------------------------------------------------|
| Single                                    | Under 65                           | \$12,400                                                |
|                                           | 65 or older                        | \$14,050                                                |
| Married Filing Jointly                    | Under 65 (both spouses)            | \$24,800                                                |
|                                           | 65 or older (one spouse)           | \$26,100                                                |
|                                           | 65 or older (both spouses)         | \$27,400                                                |
| Married Filing Separately                 | Any age                            | \$ 5                                                    |
| Head of Household                         | Under 65                           | \$18,650                                                |
|                                           | 65 or older                        | \$20,300                                                |
| Qualifying Widow(er) with Dependent Child | Under 65                           | \$24,800                                                |
|                                           | 65 or older                        | \$26,100                                                |

## 2020 FILING REQUIREMENTS FOR DEPENDENTS

If either your parents or someone else can claim you as a dependent, use this chart to see if you must file a return. In this chart, unearned income includes taxable interest, ordinary dividends, and capital gain distributions. Earned income includes wages and tips, as well as taxable scholarships and fellowship grants. Gross income is the total of your unearned and earned income.

### Single dependents. Were you either age 65 or older or blind?

- No. You must file a return if any of the following apply:
  - Your unearned income was over \$1,100
  - Your earned income was over \$12,400
  - Your gross income was more than the larger of:
    - \$1,100
    - Your earned income (up to \$12,050) plus \$350
- Yes. You must file a return if any of the following apply:
  - Your unearned income was over \$2,750 (\$4,400 if 65 or older and blind)
  - Your earned income was over \$14,050 (\$15,700 if 65 or older and blind)
  - Your gross income was more than:
    - The larger of:
      - \$ 2,750 (\$4,400 if 65 or older and blind)
      - Your earned income (up to \$12,050) plus \$2,000 (\$3,650 if 65 or older and blind)



### Married dependents. Were you either age 65 or older or blind?

- No. You must file a return if any of the following apply:
  - Your unearned income was over \$1,100
  - Your earned income was over \$12,400
  - Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions
  - Your gross income was more than the larger of:
    - \$1,100
    - Your earned income (up to \$12,050) plus \$350
- Yes. You must file a return if any of the following apply:
  - Your unearned income was over \$2,400 (\$3,700 if 65 or older and blind)
  - Your earned income was over \$13,700 (\$15,000 if 65 or older and blind)
  - Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions
  - Your gross income was more than:
    - The larger of:
      - \$2,400 (\$3,700 if 65 or older and blind)
      - Your earned income (up to \$12,050) plus \$1,650 (\$2,950 if 65 or older and blind)

## OTHER SITUATIONS WHEN YOU MUST FILE A 2020 RETURN

You must file a return if any of the seven conditions below apply for 2020.

1. You owe any special taxes, including any of the following:
  - a. Alternative minimum tax.
  - b. Additional tax on a qualified plan, including an individual retirement arrangement (IRA) or other tax-favored account—but if you are filing a return only because you owe this tax, you can file Form 5329 by itself.
  - c. Household employment taxes—but if you are filing a return only because you owe this tax, you can file Schedule H by itself.
  - d. Social Security and Medicare tax on tips you did not report to your employer or on wages you received from an employer who did not withhold these taxes.
  - e. Repayment of first-time homebuyer credit. See the instructions for Form 1040 or 1040-SR, Schedule 2, Part II.
  - f. Write-in taxes, including uncollected Social Security and Medicare tax, RRTA tax on tips you reported to your employer, tax on group-term life insurance, or additional taxes on health savings accounts. See the instructions for Form 1040 or 1040-SR, Schedule 2, line 8.
  - g. Recapture taxes. See the instructions for Form 1040 or 1040-SR, Schedule 2, Part II.
2. You (or your spouse, if filing jointly) received HSA, Archer MSA, or Medicare Advantage MSA distributions.
3. You had net earnings from self-employment of at least \$400.
4. You had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer Social Security and Medicare taxes.
5. You had advance payments of the premium tax credit made for you, your spouse, or a dependent who enrolled in coverage through the Health Insurance Marketplace. You should have received Forms 1095-A showing the amount of the advance payments, if any.
6. You had advance payments of the health coverage tax credit made for you, your spouse, or a dependent. You or whomever enrolled you should have received Forms 1099-H showing the amount of the advance payments.
7. You were required to file Form 965 for a triggering event or Form 965-A for an elected installment payment.

## STUDENT LOAN INTEREST DEDUCTION

Maximum interest deduction \$ 2,500

### Modified Adjusted Gross Income Phaseout:

Married Filing Jointly \$140,000 to \$170,000  
Single/HOH \$ 70,000 to \$ 85,000

## QUALIFYING CHILD FOR CHILD TAX CREDIT

A qualifying child for purposes of the child tax credit must be all of the following:

- A U.S. citizen or resident alien
- An SSN holder
- Claimed as your dependent on Form 1040 or 1040-SR
- Under age 17 at the end of 2020
- Your:
  - Son, daughter, adopted child, stepchild, or descendant of any of them (for example, your grandchild)
  - Brother, sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew) whom you cared for as you would your own child

### Adopted Child

An adopted child is always treated as your own child. An adopted child includes a child placed with you by an authorized placement agency for legal adoption even if the adoption is not final.

## CHILD TAX CREDIT

Credit Amount \$2,000  
Refundable Portion \$1,400

## QUALIFYING DEPENDENT FOR OTHER DEPENDENT CREDIT

A qualifying dependent for the other dependent credit must be all of the following:

- A U.S. citizen, U.S. national, or U.S. resident alien
- An SSN, ITIN, or ATIN holder
- Claimed as your dependent on Form 1040 or 1040-SR

Credit Amount \$500  
Refundable Portion \$-0-

## DEPENDENT CARE CREDIT LIMITATIONS

To determine your amount of credit, multiply your work-related expenses (after applying the earned income and dollar limits) by one of the following percentages. This percentage depends on your adjusted gross income shown on Form 1040, 1040-SR, or 1040-NR, line 11. The following table shows the percentage to use based on adjusted gross income. The maximum eligible to be multiplied by these percentages is \$3,000 per child or \$6,000 per return.

If your adjusted gross income is:

| Over   | But Not Over | The Percentage Is: |
|--------|--------------|--------------------|
| \$ 0   | \$15,000     | 35%                |
| 15,000 | 17,000       | 34%                |
| 17,000 | 19,000       | 33%                |
| 19,000 | 21,000       | 32%                |
| 21,000 | 23,000       | 31%                |
| 23,000 | 25,000       | 30%                |
| 25,000 | 27,000       | 29%                |
| 27,000 | 29,000       | 28%                |
| 29,000 | 31,000       | 27%                |
| 31,000 | 33,000       | 26%                |
| 33,000 | 35,000       | 25%                |
| 35,000 | 37,000       | 24%                |
| 37,000 | 39,000       | 23%                |
| 39,000 | 41,000       | 22%                |
| 41,000 | 43,000       | 21%                |
| 43,000 | No Limit     | 20%                |

## COMPARISON OF EDUCATION CREDITS

| Lifetime Learning                                                                                          | American Opportunity                                                                                                                                                           |
|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Up to \$2,000 credit per return                                                                            | Up to \$2,500/Up to 40% is refundable                                                                                                                                          |
| Maximum lifetime learning rate is 20%                                                                      | 100% of first \$2,000 plus 25% of next \$2,000                                                                                                                                 |
| Available for all years of post-secondary education and for courses to acquire or improve job skills       | Available for four years of college and ONLY if the student had not completed the first 4 years of postsecondary education before 2020                                         |
| Available for an unlimited number of years                                                                 | Available ONLY for 4 tax years per eligible student (including any years Hope credit was claimed)                                                                              |
| Student doesn't need to be pursuing a program leading to a degree or other recognized education credential | AGI phaseout between \$80,000 - \$90,000 (160K - 180K MFJ)                                                                                                                     |
| Available for one or more courses                                                                          | Student must be enrolled at least half time for at least one academic period beginning during 2020 (or the first 3 months of 2021 if the qualified expenses were paid in 2020) |
| Felony drug conviction rule does not apply                                                                 | As of the end of 2020, the student had not been convicted of a felony for possession or distribution of a controlled substance                                                 |

## EDUCATION CREDITS PHASEOUT

| Lifetime Learning Adjusted Gross Income        | Refundable American Opportunity |
|------------------------------------------------|---------------------------------|
| Married Filing Jointly \$118,000 to \$138,000  | \$160,000 to \$180,000          |
| All other filing statuses \$59,000 to \$69,000 | \$ 80,000 to \$ 90,000          |

## SOCIAL SECURITY PAYBACK

|                                           |                                                                         |
|-------------------------------------------|-------------------------------------------------------------------------|
| At full retirement age or older           | No limit on earnings                                                    |
| Under full retirement age                 | \$1 in benefits will be deducted for each \$2 you earn above \$18,240   |
| In the year you reach full retirement age | Your benefits will be reduced \$1 for every \$3 you earn above \$48,600 |

\* For people born in 1943 through 1954, the full retirement age is 66.

The full retirement age increases gradually each year until it reaches age 67 for people born in 1960 or later.

## EARNED INCOME CREDIT

| Single, Head of Household, and Qualifying Widow(er) | Earned Income Ranges to Receive the Maximum EIC |               | Maximum EIC Amount | EIC Eliminated When Earned Income Reaches These Amounts |
|-----------------------------------------------------|-------------------------------------------------|---------------|--------------------|---------------------------------------------------------|
|                                                     | AT LEAST                                        | BUT LESS THAN |                    |                                                         |
| With No Children                                    | \$ 7,030                                        | \$ 8,790      | \$ 538             | \$15,820                                                |
| With One Child                                      | \$10,540                                        | \$19,330      | \$3,584            | \$41,756                                                |
| With Two Children                                   | \$14,800                                        | \$19,330      | \$5,920            | \$47,440                                                |
| With Three or More Children                         | \$14,800                                        | \$19,330      | \$6,660            | \$50,954                                                |

| Married Filing Jointly      | Earned Income Ranges to Receive the Maximum EIC |               | Maximum EIC Amount | EIC Eliminated When Earned Income Reaches These Amounts |
|-----------------------------|-------------------------------------------------|---------------|--------------------|---------------------------------------------------------|
|                             | AT LEAST                                        | BUT LESS THAN |                    |                                                         |
| With No Children            | \$ 7,030                                        | \$14,680      | \$ 538             | \$21,710                                                |
| With One Child              | \$10,540                                        | \$25,220      | \$3,584            | \$47,646                                                |
| With Two Children           | \$14,800                                        | \$25,220      | \$5,920            | \$53,330                                                |
| With Three or More Children | \$14,800                                        | \$25,220      | \$6,660            | \$56,844                                                |

The maximum amount of investment income you can have and still receive EIC has increased to \$3,650.

## EARNED INCOME CREDIT IN A NUTSHELL

First, you must meet all the rules in this column.

Second, you must meet all the rules in one of these columns, whichever applies.

| <b>PART A</b><br>Rules for Everyone                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>PART B</b><br>Rules if You Have a Qualifying Child                                                                                                                                                                                                                                                                                                                                                                            | <b>PART C</b><br>Rules if You Do Not Have a Qualifying Child                                                                                                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> <li>Your adjusted gross income (AGI) must be less than :<br/>\$50,954 (\$56,844 if Married Filing Jointly) if you have three or more qualifying children<br/>\$47,440 (\$53,330 if Married Filing Jointly) if you have two qualifying children<br/>\$41,756 (\$47,646 if Married Filing Jointly) if you have one qualifying child<br/>\$15,820 (\$21,710 if Married Filing Jointly) if you do not have a qualifying child</li> <li>You must have a valid Social Security Number.</li> <li>Your filing status cannot be "Married Filing Separately."</li> <li>You must be a U.S. citizen, resident alien all year, or non-resident alien filing married filing jointly.</li> <li>You cannot file Form 2555 (relating to foreign earned income).</li> <li>Your investment income must be \$3,650 or less.</li> <li>You must have earned income.</li> </ol> | <ol style="list-style-type: none"> <li>Your child must have a Social Security Number that is valid for employment and issued before the due date of the return (including extensions).</li> <li>Your child must meet the relationship, age, and residency tests.</li> <li>Your qualifying child cannot be used by more than one person to claim the EIC.</li> <li>You cannot be a qualifying child of another person.</li> </ol> | <ol style="list-style-type: none"> <li>You must be at least 25 but under age 65.</li> <li>You cannot be the dependent of another person.</li> <li>You cannot be a qualifying child of another person.</li> <li>You must have lived in the United States more than half of the year.</li> </ol> |

## EXEMPTION AMOUNTS

|                        |       |
|------------------------|-------|
| Personal and Dependent | \$ 0  |
| Estate Amount*         | \$600 |
| Simple Trust *         | \$300 |
| Complex Trust *        | \$100 |

\* Exemption not allowed in final year.



## FOREIGN EARNED INCOME

|                        |           |
|------------------------|-----------|
| 2020 Maximum exclusion | \$107,600 |
|------------------------|-----------|

## GIFT TAX

|                                                             |           |
|-------------------------------------------------------------|-----------|
| 2020 Exclusion                                              | \$ 15,000 |
| 2020 Exclusion for gift to spouse who is not a U.S. citizen | \$157,000 |

## 401(K) CONTRIBUTION LIMITS

|                                                       |          |
|-------------------------------------------------------|----------|
| 2020 Maximum deferral                                 | \$19,500 |
| 2020 Catch Up Contributions for taxpayers 50 and over | \$26,000 |

## LONG-TERM CAPITAL GAINS AND QUALIFYING DIVIDENDS

|               |                       |     |
|---------------|-----------------------|-----|
| Single up to  | \$ 40,000             | 0%  |
| Single        | \$ 40,001 - \$441,450 | 15% |
| Single over   | \$441,451+            | 20% |
| Married up to | \$ 80,000             | 0%  |
| Married       | \$ 80,001 - \$496,600 | 15% |
| Married over  | \$496,601+            | 20% |
| HOH up to     | \$ 53,600             | 0%  |
| HOH           | \$ 53,601 - \$469,050 | 15% |
| HOH over      | \$469,051+            | 20% |
| MFS up to     | \$ 40,000             | 0%  |
| MFS           | \$ 40,001 - \$248,300 | 15% |
| MFS over      | \$248,301+            | 20% |

## SAVINGS BOND/HIGHER EDUCATION EXPENSE EXCLUSION

|                                                |                       |
|------------------------------------------------|-----------------------|
| Modified adjusted gross income phaseout range: |                       |
| Married Filing Jointly                         | \$123,550 - \$153,550 |
| All other filing statuses                      | \$82,350 - \$97,350   |

## LONG-TERM CARE PREMIUMS

|                               |         |
|-------------------------------|---------|
| Maximum premium (per person): |         |
| Age 40 or under               | \$430   |
| Age 41 to 50                  | \$810   |
| Age 51 to 60                  | \$1,630 |
| Age 61 to 70                  | \$4,350 |
| Age 71 or over                | \$5,430 |

## ALTERNATIVE MINIMUM TAX

First \$197,900 (\$98,950 Married Filing Separately) of Alternative Minimum Taxable Income ..... 26%  
Over \$197,900 of Alternative Minimum Taxable Income ..... 28%



### Exemptions:

|                                                |           |
|------------------------------------------------|-----------|
| Married Filing Jointly or Qualifying Widow(er) | \$113,400 |
| Married Filing Separately                      | \$ 56,700 |
| Single or Head of Household                    | \$ 72,900 |
| Trusts and Estates                             | \$ 25,400 |

### Exemption Phaseout:

25% of amount AMTI exceeds:

| Filing Status             | AMTI Begin Phaseout | AMTI Fully Phased Out |
|---------------------------|---------------------|-----------------------|
| MFJ/Qualifying Widow(er)  | \$1,036,800         | \$1,490,000           |
| Married Filing Separately | \$518,400           | \$745,200             |
| Single/HOH                | \$518,400           | \$810,000             |
| Estates and Trusts        | \$84,800            | \$186,400             |

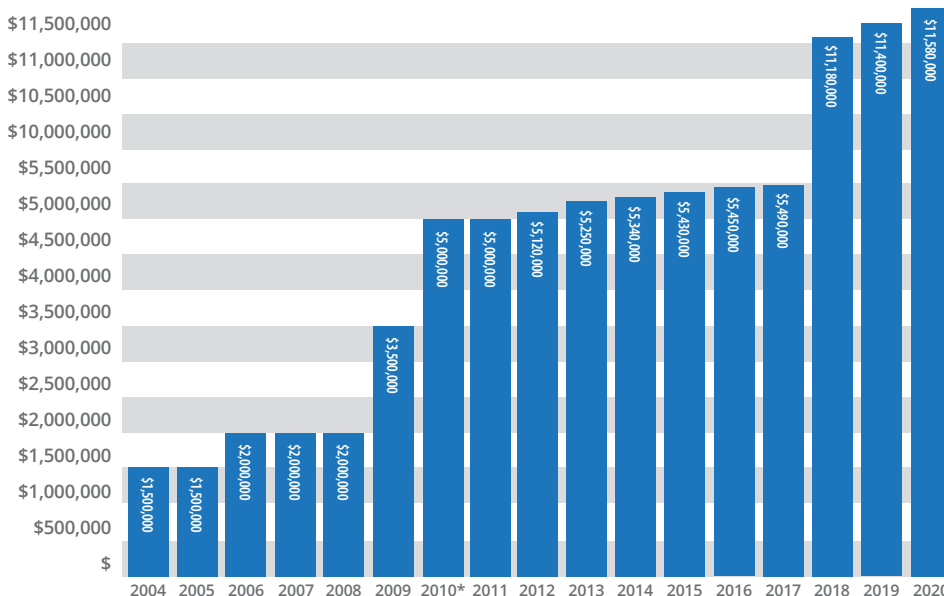
## WHERE TO DEDUCT YOUR INTEREST EXPENSE

| If you have...                                                                              | THEN deduct it on...                    | AND for more info go to... |
|---------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------|
| Deductible student loan interest                                                            | Form 1040/1040-SR, Schedule 1, line 20  | Publication 970            |
| Deductible home mortgage interest and points reported on Form 1098                          | Schedule A (Form 1040/1040-SR), line 8a | Publication 936            |
| Deductible home mortgage interest not reported on Form 1098                                 | Schedule A (Form 1040/1040-SR), line 8b | Publication 936            |
| Deductible points not reported on Form 1098                                                 | Schedule A (Form 1040/1040-SR), line 8c | Publication 936            |
| Deductible investment interest (other than interest incurred to produce rents or royalties) | Schedule A (Form 1040/1040-SR), line 9  | Publication 550            |
| Deductible business interest (non-farm)                                                     | Schedule C (Form 1040/1040-SR)          | Publication 535            |
| Deductible farm business interest                                                           | Schedule F (Form 1040/1040-SR)          | Publications 225 and 535   |
| Deductible interest incurred to produce rents or royalties                                  | Schedule E (Form 1040/1040-SR)          | Publications 527 and 535   |
| Personal interest                                                                           | Not deductible                          |                            |

## 2020 STANDARD MILEAGE RATES

Business mileage ..... \$0.575 / mile  
Charitable mileage ..... \$0.14 / mile  
Medical/Moving mileage ..... \$0.17 / mile

## ESTATE EXEMPTION



\*2010 5,000,000 (or N/A if elected to file 8939)

## TAX RATE SCHEDULES **Single**

### TAXABLE INCOME:

| Over    | But not over |
|---------|--------------|
| \$ 0    | \$ 9,875     |
| 9,875   | 40,125       |
| 40,125  | 85,525       |
| 85,525  | 163,300      |
| 163,300 | 207,350      |
| 207,350 | 518,400      |
| 518,400 | -            |

### TAX:

| Tax        | +   | On amt over |
|------------|-----|-------------|
| \$ .00     | 10% | \$ 0        |
| 987.50     | 12% | 9,875       |
| 4,617.50   | 22% | 40,125      |
| 14,605.50  | 24% | 85,525      |
| 33,271.50  | 32% | 163,300     |
| 47,367.50  | 35% | 207,350     |
| 156,235.00 | 37% | 518,400     |

## TAX RATE SCHEDULES **Head of Household**

### TAXABLE INCOME:

| Over    | But not over |
|---------|--------------|
| \$ 0    | \$ 14,100    |
| 14,100  | 53,700       |
| 53,700  | 85,500       |
| 85,500  | 163,300      |
| 163,300 | 207,350      |
| 207,350 | 518,400      |
| 518,400 | -            |

### TAX:

| Tax        | +   | On amt over |
|------------|-----|-------------|
| \$ .00     | 10% | \$ 0        |
| 1,410.00   | 12% | 14,100      |
| 6,162.00   | 22% | 53,700      |
| 13,158.00  | 24% | 85,500      |
| 31,830.00  | 32% | 163,300     |
| 45,926.00  | 35% | 207,350     |
| 154,793.50 | 37% | 518,400     |

## TAX RATE SCHEDULES **Married Filing Separately**

### TAXABLE INCOME:

| Over    | But not over |
|---------|--------------|
| \$ 0    | \$ 9,875     |
| 9,875   | 40,125       |
| 40,125  | 85,525       |
| 85,525  | 163,300      |
| 163,300 | 207,350      |
| 207,350 | 311,025      |
| 311,025 | -            |

### TAX:

| Tax       | +   | On amt over |
|-----------|-----|-------------|
| \$ .00    | 10% | \$ 0        |
| 987.50    | 12% | 9,875       |
| 4,617.50  | 22% | 40,125      |
| 14,605.50 | 24% | 85,525      |
| 33,271.50 | 32% | 163,300     |
| 47,367.50 | 35% | 207,350     |
| 83,653.75 | 37% | 311,025     |

## TAX RATE SCHEDULES **Married Filing Jointly or Qualifying Widow(er)**

### TAXABLE INCOME:

| Over    | But not over |
|---------|--------------|
| \$ 0    | \$ 19,750    |
| 19,750  | 80,250       |
| 80,250  | 171,050      |
| 171,050 | 326,600      |
| 326,600 | 414,700      |
| 414,700 | 622,050      |
| 622,050 | -            |

### TAX:

| Tax        | +   | On amt over |
|------------|-----|-------------|
| \$ .00     | 10% | \$ 0        |
| 1,975.00   | 12% | 19,750      |
| 9,235.00   | 22% | 80,250      |
| 29,211.00  | 24% | 171,050     |
| 66,543.00  | 32% | 326,600     |
| 94,735.00  | 35% | 414,700     |
| 167,307.50 | 37% | 622,050     |

## 2020 CORPORATE TAX RATES

The federal corporate income tax rate is 21%.

## 2020 ESTATE AND TRUST TAX RATES

### TAXABLE INCOME:

| Over   | But not over |
|--------|--------------|
| \$ 0   | \$ 2,600     |
| 2,600  | 9,450        |
| 9,450  | 12,950       |
| 12,950 | -            |

### TAX:

| Tax      | +   | On amt over |
|----------|-----|-------------|
| \$ .00   | 10% | \$ 0        |
| 260.00   | 24% | 2,600       |
| 1,904.00 | 35% | 9,450       |
| 3,129.00 | 37% | 12,950      |

## TRADITIONAL IRA LIMITS

### IRA Contribution Limits

#### Regular Contributions

2020 Maximum Contribution .....\$6,000

#### "Catch Up" Contributions for Taxpayers 50 and over

2020 Catch Up.....\$1,000

## PHASEOUT OF IRA DEDUCTIONS

| Filing Status                                                                        | AGI Begin Phaseout                                                  | AGI Fully Phased Out                                                |
|--------------------------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|
| Single<br>(or Married Filing Separately and lived apart from spouse for all of 2020) | \$ 65,000                                                           | \$ 75,000                                                           |
| Married Filing Jointly                                                               | \$104,000<br>(\$196,000 if spouse is not covered by a pension plan) | \$124,000<br>(\$206,000 if spouse is not covered by a pension plan) |
| Married Filing Separately                                                            | \$ 0                                                                | \$ 10,000                                                           |
| Head of Household                                                                    | \$ 65,000                                                           | \$ 75,000                                                           |
| Qualifying Widow(er)                                                                 | \$104,000                                                           | \$124,000                                                           |



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