

2020 Federal Tax Pocket Guide

CHARITABLE GIFT ANNUITY DEDUCTIONS (PER \$10,000 CONTRIBUTED)

Age	Payout Rate*	Deduction (2.0% AFR)	Age	Payout Rate*	Deduction (2.0% AFR)	Age	Payout Rate*	Deduction (2.0% AFR)
55	4.0%	\$2,269	70	5.1%	\$3,901	85	8.0%	\$5,469
56	4.0	2,467	71	5.2	4,031	86	8.2	5,622
57	4.1	2,481	72	5.4	4,060	87	8.4	5,777
58	4.2	2,504	73	5.5	4,209	88	8.6	5,933
59	4.3	2,538	74	5.6	4,363	89	8.8	6,088
60	4.3	2,751	75	5.8	4,426	90	9.0	6,243
61	4.4	2,800	76	6.0	4,501	91	9.0	6,474
62	4.4	3,017	77	6.2	4,588	92	9.0	6,693
63	4.5	3,079	78	6.4	4,685	93	9.0	6,900
64	4.6	3,151	79	6.6	4,792	94	9.0	7,096
65	4.7	3,231	80	6.9	4,833	95	9.0	7,281
66	4.7	3,462	81	7.2	4,890	96	9.0	7,454
67	4.8	3,558	82	7.4	5,027	97	9.0	7,616
68	4.9	3,664	83	7.6	5,171	98	9.0	7,769
69	5.0	3,778	84	7.8	5,318	99	9.0	7,912

*Payout Rates are rates recommended by the American Council on Gift Annuities. Charities historically have employed the Council's payout rates, but may pay higher or lower rates. Deductions assume quarterly payments.

CHARITABLE REMAINDER ANNUITY TRUST DEDUCTIONS ONE-LIFE TRUST FUNDED WITH \$100,000 (2.0% AFR)

Age of Beneficiary	\$5,000 Payout	\$6,000 Payout	\$7,000 Payout	\$8,000 Payout	\$9,000 Payout
60	None*	None*	None*	None*	None*
65	None*	None*	None*	None*	None*
70	None*	None*	None*	None*	None*
75	\$51,950	None*	None*	None*	None*
80	62,559	\$55,071	None*	None*	None*
85	71,681	66,017	\$60,354	None*	None*
90	79,128	74,953	70,779	\$66,604	\$62,430

*Annuity trusts are disqualified, under the IRS's 5% probability test (Rev. Rul. 70-452, 1970-2 CB 199), if the probability that noncharitable beneficiaries will survive to the exhaustion of the trust fund exceeds 5%. Note that the deductions shown reflect quarterly payments and a 2.0% applicable federal rate (AFR). Larger AFRs increase the risk of failing the 5% probability test. The 5% probability test can be ignored if early termination language is included, pursuant to Rev. Proc. 2016-42.

TERM OF YEARS ANNUITY TRUST FACTORS (2.0% AFR)

Years	Annuity	Years	Annuity	Years	Annuity	Years	Annuity
1	0.9804	6	5.6014	11	9.7868	16	13.5777
2	1.9416	7	6.4720	12	10.5753	17	14.2919
3	2.8839	8	7.3255	13	11.3484	18	14.9920
4	3.8077	9	8.1622	14	12.1062	19	15.6785
5	4.7135	10	8.9826	15	12.8493	20	16.3514

Deductions for charitable remainder annuity trusts lasting for a term of years (maximum of 20 years) are computed under annuity factors found in Table B, IRS Pub. 1457, according to the "applicable federal rate." Using the tables above (2.0% AFR), a 12-year annuity trust making annual payments would have an annuity factor of 10.5753. If the trust is funded with \$100,000 and pays \$5,000 annually, the value of the income interest is \$5,000 x 10.5753, or \$52,877, and charity's remainder interest is \$47,123. (The computation must be adjusted slightly if payouts are other than annual; see Table K, IRS Pub. 1457.)

CHARITABLE LEAD TRUSTS: Deductions for charitable lead annuity trusts also are calculated with reference to Tables B and K, but the portion contributed is the income interest, not the remainder interest.

APPROXIMATE INCOME TAX DEDUCTIONS FOR TWO-LIFE ANNUITY TRUST FUNDED WITH \$100,000

Joint Beneficiaries (2.0% AFR)*					
Deduction if Beneficiaries Receive					
Ages of Beneficiaries	\$5,000 Annually	\$6,000 Annually	\$7,000 Annually	\$8,000 Annually	\$9,000 Annually
65/65	None**	None**	None**	None**	None**
70/70	None**	None**	None**	None**	None**
75/75	\$36,948	None**	None**	None**	None**
80/80	49,607	None**	None**	None**	None**
85/85	60,995	\$53,194	\$45,392	None**	None**
90/90	70,692	64,830	58,969	\$53,107	\$47,245

* The deductions illustrated are only approximations. They are based on IRS tables employing a 2.0% AFR.

** Annuity trusts are disqualified, under the IRS's 5% probability test (Rev. Rul. 70-452, 1970-2 CB 199), if the probability that noncharitable beneficiaries will survive to the exhaustion of the trust fund exceeds 5%. The 5% probability test can be ignored if early termination language is included, pursuant to Rev. Proc. 2016-42.

CHARITABLE REMAINDER UNITRUSTS (2.0% AFR)

Payout Rate/Percent of Gift Deductible						
Age	5.0%	6.0%	7.0%	8.0%	9.0%	10%
55	.31854	.26147	.21693	.18196	.15428	.13216
56	.33971	.27290	.22768	.19193	.16347	.14059
57	.34266	.28465	.23877	.20227	.17304	.14940
58	.35507	.29667	.25018	.21296	.18296	.15858
59	.36773	.30901	.26195	.22403	.19330	.16817
60	.38066	.32168	.27410	.23552	.20407	.17821
61	.39383	.33467	.28663	.24743	.21528	.18871
62	.40722	.34794	.29949	.25971	.22690	.19961
63	.42081	.36148	.31267	.27236	.23890	.21094
64	.43459	.37529	.32619	.28538	.25133	.22270
65	.44858	.38937	.34005	.29880	.26417	.23491
66	.46292	.40391	.35444	.31282	.27768	.24781
67	.47758	.41886	.36932	.32740	.29181	.26139
68	.49248	.43415	.38464	.34249	.30649	.27556
69	.50760	.44975	.40034	.35804	.32171	.29033
70	.52289	.46562	.41641	.37403	.33743	.30565
71	.53837	.48176	.43284	.39048	.35368	.32156
72	.55398	.49816	.44963	.40735	.37044	.33805
73	.56970	.51373	.46668	.42479	.38765	.35506
74	.58542	.53141	.48132	.44211	.40521	.37250
75	.60109	.54810	.50127	.45980	.42302	.39025
76	.61665	.56477	.51866	.47761	.44104	.40828
77	.63210	.58139	.53607	.49554	.45923	.42657
78	.64740	.59792	.55348	.51353	.47758	.44507
79	.66253	.61434	.57085	.53155	.49602	.46375
80	.67743	.63059	.58811	.54954	.51449	.48253
81	.69210	.64665	.60522	.56744	.53296	.50138
82	.70648	.66246	.62216	.58523	.55139	.52025
83	.72056	.67801	.63887	.60285	.56969	.53907
84	.73432	.69325	.65531	.62025	.58784	.55778
85	.74771	.70815	.67145	.63739	.60578	.57635
86	.76072	.72269	.68725	.65423	.62346	.59471
87	.77332	.73681	.70265	.67070	.64082	.61278
88	.78552	.75053	.71766	.68680	.65784</	

FEDERAL INDIVIDUAL INCOME TAX RATES

Col. 1	Single Individuals		Joint Returns & Surviving Spouses		Heads of Households		Married Filing Separately	
Taxable Income	Tax on Col. 1	Rate on Excess	Tax on Col. 1	Rate on Excess	Tax on Col. 1	Rate on Excess	Tax on Col. 1	Rate on Excess
\$ 0	\$ 0	10%	\$ 0	10%	\$ 0	10%	\$ 0	10%
9,875	987.50	12%					987.50	12%
14,100					1,410	12%		
19,750								
40,125	4,617.50	22%					4,617.50	22%
53,700					6,162	22%		
80,250							13,158	24%
85,500							14,605.50	24%
85,525	14,605.50	24%						
163,300	33,271.50	32%			33,271.50	32%	33,271.50	32%
171,050					29,211	24%		
207,350	47,367.50	35%					45,926	35%
311,025							47,367.50	35%
326,600							83,653.75	37%
414,700								
518,400	156,235	37%			154,793.50	37%		
622,050					164,307.50	37%		

INCOME TAX RATES ON ESTATES AND TRUSTS

Taxable Income From (Col. 1)	To	Tax on Col. 1	Rate Excess
\$ 0	\$ 2,600	\$ 0	10%
2,600	9,450	260	24
9,450	12,950	1,904	35
12,950	Infinity	3,129	37

STANDARD DEDUCTIONS

	Single Individuals	Joint Return/ Surviving Spouses	Heads of Households	Married Filing Separately
Basic	\$12,400	\$24,800	\$18,650	\$12,400
Over 65	14,050	26,100 (one) 27,400 (both)	20,300	13,700
Blind	14,050	26,100 (one) 27,400 (both)	20,300	13,700
Over 65 & Blind	15,700	27,400 (one) 30,000 (both)	21,950	15,000

Taxpayers may "itemize" deductions when deductions total more than the standard deductions shown. The increase in the basic standard deduction does not apply to tax years after 2025. The deduction is indexed for inflation using the chained consumer price index.

ITEMIZED DEDUCTIONS INCLUDE:

- State and local taxes. Taxpayers can deduct up to \$10,000 for state income or sales tax and real estate taxes.
- Mortgage interest. The interest on up to \$750,000 of total acquisition indebtedness is allowed on a first and second home.
- Medical expenses. Medical expenses are deductible to the extent they exceed 10% of AGI.
- Charitable gifts. Cash gifts to charity are deductible up to 60% of AGI; gifts of appreciated assets are deductible up to 30% of AGI. Excess deductions may be carried over for up to five additional years.

FEDERAL INCOME TAX ON CAPITAL GAINS

Net long-term capital gains on assets held more than 12 months are taxed generally at a maximum rate of 20% for filers in the 37% tax bracket, 15% for taxpayers in the 22%, 24%, 32% and 35% brackets and 0% for 10% and 12% bracket taxpayers. Children under age 19, or 24 if full-time college students, whose net unearned income exceeds \$2,200 are subject to tax under estates and trusts rates. Taxpayers with AGI in excess of \$200,000 (unmarried filers and heads of households) or \$250,000 (joint filers) are subject to an additional 3.8% tax on net investment income. A 28% top rate applies to long-term gain on collectibles. A 25% top rate applies to long-term gain on real estate attributed to depreciation claimed in past years (unrecaptured §1250 gain). Short-term gains are taxed at the taxpayer's highest ordinary income tax rates. Net short-term and long-term losses are deductible dollar-for-dollar against ordinary income up to \$3,000, with unlimited carryover for excess loss deductions.

FEDERAL INCOME TAX ON DIVIDENDS

The maximum tax rate on qualified dividends paid by corporations, mutual funds and real estate investment trusts to individuals is 20% for filers in the 37% tax bracket, 15% for taxpayers in the 22%, 24%, 32% and 35% brackets and zero for taxpayers in the 10% and 12% ordinary income brackets. Taxpayers with AGI in excess of \$200,000 (unmarried filers and heads of households) or \$250,000 (joint filers) are subject to an additional 3.8% tax on investment income.

FEDERAL ALTERNATIVE MINIMUM TAX

Alternative Minimum Taxable Income From (Col. 1)	To	Tax on Col. 1	Rate on Excess
\$ 0	197,900	\$ 0	26%
197,901	Infinity	51,454	28

An alternative minimum tax is imposed on "alternative minimum taxable income" over the applicable exemption amounts of \$72,900 for single taxpayers and heads of households, \$113,400 for joint returns, \$56,700 for married persons filing separately and \$25,400 for estates and trusts. Through 2025, phase-out thresholds are increased to \$1,036,800 (married filers and surviving spouses) or \$518,400 for all other individuals. AMT is payable only so far as it exceeds a taxpayer's regular income tax. "Alternative minimum taxable income" is the sum of a taxpayer's regular taxable income and any preference amounts, plus certain regular tax itemized deductions (not including charitable deductions) such as state and local taxes. Net operating losses not attributable to preferences are deductible. Examples of minimum tax preference items include amounts relating to depletion deductions, intangible drilling costs, incentive stock options, tax-exempt interest on nongovernmental-purpose bonds and accelerated depreciation of all property placed in service after 1986 that exceeds depreciation using the 150% declining balance method.

The tax rate for C corporations is a flat 21%. The corporate alternative minimum tax has been eliminated. Corporations are allowed a 50% deduction for dividends received from other domestic corporations (70% prior to 2018). There is a 65% deduction (previously 80%) for dividends received from a 20%-owned corporation. This is a corporation that is owned 20% or more by the taxpayer.

Bonus depreciation is allowed for qualified property acquired after September 27, 2017, according to the following schedule:

Placed into service

After September 27, 2017 and before 2023

After 2022 and before 2024

After 2023 and before 2025

After 2024 and before 2026

After 2025 and before 2027

After 2026

Owners of pass-through business entities (S corporations, LLCs, partnerships, sole proprietorships) may deduct up to 20% of qualified business income. For certain service trades or businesses (e.g., accounting, athletics, financial services, health, law, brokerage services), the deduction is phased out when taxable income exceeds \$160,700 for single taxpayers and \$321,400 for joint filers.

■ State and local taxes. Taxpayers can deduct up to \$10,000 for state income or sales tax and real estate taxes.

■ Mortgage interest. The interest on up to \$750,000 of total acquisition indebtedness is allowed on a first and second home.

■ Medical expenses. Medical expenses are deductible to the extent they exceed 10% of AGI.

■ Charitable gifts. Cash gifts to charity are deductible up to 60% of AGI; gifts of appreciated assets are deductible up to 30% of AGI. Excess deductions may be carried over for up to five additional years.

FEDERAL GIFT TAX

Taxable Gift			
Col. 1 From	To	Tax on Col. 1	Rate on Excess
\$ 0	\$ 10,000	\$ 0	18%
10,000	20,000	1,800	20
20,000	40,000	3,800	22
40,000	60,000	8,200	24
60,000	80,000	13,000	26
80,000	100,000	18,200	28
100,000	150,000	23,800	30
150,000	250,000	38,800	32
250,000	500,000	70,800	34
500,000	750,000	155,800	37
750,000	1,000,000	248,300	39
1,000,000	Infinity	345,800	40

Gift Tax Credit A \$4,577,800 gift tax credit shelters \$11,580,000 of taxable gifts in excess of the annual exclusion amounts.

Gift Tax Returns Individuals must file gift tax returns (Form 709) for (1) gifts of present interests in property in excess of \$15,000; (2) gifts of future interests in any amount; (3) gifts on which spouses "split" gifts. Form 709 is required for all charitable remainder trusts and other "split-interest" gifts [IRC §6019(3)]. Filing deadline is same as income tax returns.

FEDERAL GIFT TAX FORMULA

A. Aggregate of all prior and present taxable gifts*	\$ _____
B. Tentative tax on "A" (from current tax table)	\$ _____
C. Aggregate of all prior (only) taxable gifts*	_____
D. Tentative gift tax on "C" (from current tax table)	_____
E. Tentative gift tax on present gift ("B" less "D")	_____
F. Gift tax credit	_____
G. Aggregate gift tax credit taken for prior post-1976 gifts (but not more than "C")	_____
H. Gift tax credit available for current gift ("F" less "G" but not more than "E")	_____
I. Gift tax payable for current gift ("E" less "H")	_____

* A "taxable gift" means a gross gift (other than charitable gift) less:

- (a) unlimited gift tax marital deduction, if gift is to spouse, and/or

(b) lesser of gift amount or \$15,000 (\$30,000 if spouse joins in the gift and the gift is to a third party) per donee per year in which gift is made. Annual exclusion for pre-1982 gifts: \$3,000, \$6,000 for "split" gifts; \$10,000/\$20,000 for gifts between 1982 and 2001; \$11,000/\$22,000 for gifts between 2002 and 2005; \$12,000/\$24,000 for gifts between 2006 and 2008; \$13,000 for gifts between 2009 and 2012; \$14,000 for gifts between 2013 and 2017; \$15,000 for gifts between 2018 and 2020.

Annual Exclusions \$15,000 per donee; \$30,000 per donee for married couples who "split gifts"; \$155,000 per non-citizen spouse. Payments of medical expenses and tuition payments also are excluded from federal gift tax [IRC §2503(e)]. Contributors to a qualified tuition program who exceed \$15,000 may elect to treat the gift as if it had been made over a five-year period—in effect allowing a \$75,000 exclusion all in one year [IRC §529(c)(2)(B)]. Gifts of future interests are not eligible for gift tax exclusions.

Marital Deduction For gifts to a spouse who is a U.S. citizen, a 100% marital deduction is allowed [IRC §2523]. The deduction is not available for gifts to a non-citizen spouse, but an annual exclusion of \$157,000 is permitted for 2020. Note: Gifts to a spouse that qualify for the gift tax marital deduction do not require the filing of a gift tax return.

Charitable Deduction In general, any gift deductible for income tax purposes is deductible for gift tax purposes [IRC §2522]. A few charitable gifts (transfers to nongrantor charitable lead trusts or foreign charities, for example) may qualify for federal gift tax deductions

but not income tax deductions. The gift tax charitable deduction is unlimited. The gift tax charitable deduction is not limited to domestic organizations or to gifts for use within the United States [Reg §25.2522(a)-1].

(2) the aggregate of gift taxes on such post-1976 gifts made during that period by deceased (and joining spouse).