2020 TAX AND FINANCIAL PLANNING INFORMATION

An overview of important changes, rates, rules and deadlines to assist your 2020 tax planning.

RAYMOND JAMES

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THE IMPORTANCE OF TAX PLANNING

The Coronavirus Aid, Relief and Economic Security (CARES) Act was passed on March 27, 2020. The CARES Act is the largest economic relief bill in U.S. history and is intended to combat the economic risks associated with a slowdown in individual spending, and helps businesses of all sizes avoid closures and employee layoffs. It also provides necessary funds to help support states and municipalities. Due to the recent passage of the CARES Act, we look to the IRS for further clarification and guidance on the new law and any further relief packages forthcoming.

Congress closed out 2019 with the passage of a spending bill that also included the Setting Every Community Up for Retirement Enhancement (SECURE) Act. The SECURE Act has multiple provisions, several of which will affect distributions of retirement accounts such as IRAs and other qualified distribution plans. The provisions that could impact most people are the change in age of the required beginning date for IRAs and the removal of the stretch provision for most non-spousal beneficiaries. Due to the recent passage of the SECURE Act, we look to the IRS for further clarification and guidance on the new law.

The Tax Cuts and Jobs Act of 2017, approved by Congress and signed by President Trump on December 22, 2017, introduced new tax rates and countless other provisions that generally took effect on January 1, 2018, and are still in effect today.

This guide provides an overview of tax rates, credits, deductions and related considerations that may apply to you.

Tax planning should not be done in isolation, but instead should be integrated with your total financial plan. By developing and implementing strategies to help lessen or shift current and future tax liabilities, you can improve your prospects of meeting long- and short-term goals.

Keep in mind that tax laws are often complex and frequently change. As a consequence, you should consult your tax advisor before making investment and tax decisions.

SOCIAL SECURITY

As a result of the Bipartisan Budget Act of 2015, “Restricted Application” and “File and Suspend” strategies are being, or have been, phased out.

Restricted Application: Individuals who reached full retirement age (FRA) in 2019 are the last group that can take advantage of this strategy. Restricted application creates an opportunity for one member of a couple to claim a spousal benefit if their spouse has filed, while allowing their own benefit to grow until age 70. At age 70, they normally transition from a spousal benefit to their own benefit, if higher.

File and Suspend: This strategy is no longer available to couples. Before its expiration on April 30, 2016, it allowed one spouse to file for their Social Security benefit at their full retirement age and immediately suspend receiving their benefit. This act of filing and immediately suspending their benefit allowed the other spouse to begin drawing a spousal benefit. Today, one spouse can still file for and suspend benefits at full retirement age, but the other spouse cannot receive a spousal benefit while the benefits are in suspension.

IRS RULES FOR LATE 60-DAY ROLLOVERS

When redepositing funds from your IRA, Roth IRA or other plan, individuals receive a check and have a 60-day period in which to roll over those funds into a new IRA, 401(k) or other qualified retirement account.

Now, with Revenue Procedure 2016-47 (released in August 2016), individuals who miss the 60-day rollover period can self-certify that they qualify for a waiver, so long as they meet a few criteria:

1. There is no prior denial by the IRS for a waiver.
2. The late rollover must be attributed to one of the 11 reasons listed in the form provided by the IRS. (Go to irs.gov and search “2016-47” for the list of reasons.)
3. The funds must be redeposited into an IRA account “as soon as practical after the reason or reasons no longer prevent the taxpayer from making the contribution.” This guideline does include a 30-day safe harbor window.

IRS Notice 2020-23 Provides Additional Coronavirus Related Relief for Certain IRA 60-day Rollovers
IRS Notice 2020-23 issued on April 9, 2020, includes additional guidance on the ability to roll over IRA distributions outside of the 60-day deadline. The notice indicated a deadline falling on or after April 1, 2020, and before July 15, 2020, is extended to July 15, 2020. This allows IRA distributions taken from February 1, 2020 to May 15, 2020, to be rolled over to an IRA by July 15, 2020.

The rollover must meet a few eligibility requirements:

1. Cannot roll over more than one distribution (series of scheduled distributions ineligible for rollover)
2. Must not have a completed an indirect rollover to an IRA in the last 365 days
3. Cannot roll over distributions received from a beneficiary IRA
4. Same property must be rolled over – cash/cash; assets / same assets

The notice does not include relief for IRA distributions taken in January 2020. For IRA clients who received distributions during this time, they may be able to roll over the distributions if they meet one of these requirements:

- IRS Self Certification for Late Rollover – if an individual meets one of the IRS-approved reasons on the self-certification form.
- Coronavirus Related Distributions (CRD) – if an individual meets the requirements to take CRDs, it also allows the individual the ability to roll back up to $100,000 over a three-year period from the date of the distribution. Individuals can take multiple CRDs up to $100,000 and also redeposit in one or multiple deposits.

QUALIFIED CHARITABLE DISTRIBUTION

IRA owners and beneficiaries of IRAs that are at least 70 1/2 years old can make a qualified charitable distribution (QCD) of up to $100,000. A spouse age 70½ with an IRA could give up to $100,000 as well. Donating IRA funds directly to qualified charities allows the IRA holder or beneficiary to avoid taking possession of the funds and the tax bill that comes with them. It also allows the extra income to be excluded from tax formulas for Medicare premiums.

A QCD can be in excess of your required minimum distribution, but cannot exceed $100,000. The funds, which cannot come from active SEP or SIMPLE IRAs, must be sent directly to the qualified (IRS approved) charitable organization. The gift cannot be made to a private foundation, donor-advised fund or supporting organization (as described in IRC Section 509(a)(3)). The gift cannot be made in exchange for a charitable gift annuity or to a charitable remainder trust.

With the passage of the SECURE Act, QCDs will still be possible for those individuals over age 70½, however these distributions would only be considered a charitable distribution since the required beginning date (RBD) for required minimum distributions (RMD) age will change to 72. Furthermore, any pre-tax contributions made to a traditional IRA after age 70½ will reduce the amount of any later qualified charitable distributions. For example, assume an individual contributed $7,000 to a traditional IRA for two consecutive years at age 72 and 73. At age 75 he decided to make a QCD of $20,000 to his local charity. The tax payer would only be able to claim a QCD of $6,000 while the remaining $14,000 (representing the two years of over 70½ contributions) could be claimed as an itemized deduction. QCDs will not count toward RMDs for 2020 since they have been waived. The CARES Act did not change Qualified Charitable Distributions (QCD) from IRAs.

CHARITABLE DEDUCTIONS IN 2020

As a result of the CARES Act, there are some new opportunities when giving back in 2020. Individuals who do not itemize deductions will be allowed up to a $300 charitable deduction ($600 for joint filers) for gifts of cash to public charities. The interpretation of the bill at the time of this writing is a permanent new provision in the tax code, not a 2020 only change. Individuals who itemize deductions can elect to ignore the normal AGI limits for gifts of cash made to public charities. This means that 100% of AGI limitations will apply instead of the usual 50% or 60% limitation for such cash contributions. The TCJA of 2017 increased the deduction limit for gifts of cash to 60% of AGI (from 50%). For the 2020 tax year, this 60% AGI limit is ignored for gifts to qualified charities. Gifts of cash in excess of 100% would be eligible for the normal five-year carryforward rule for 2021 and later years, subject to the usual limits. Carryforwards of cash contributions for years prior to 2020 do not count toward the 100% of AGI limit for 2020.

MEDICAL EXPENSES DEDUCTION IN 2020

A taxpayer CAN deduct medical expenses of 10% of AGI (except for taxpayers age 65 or older for whom the previous 7.5% floor from 2017 or 2018 will remain in place). To write off medical expenses, deductions must be itemized.

MORTGAGE INTEREST DEDUCTION

The Tax Cuts and Jobs Act of 2017 limited the amount of mortgage interest that can be taken by an individual itemizing deductions. Previously, an individual could deduct interest on up to $1,000,000 of qualified mortgage debt on up to two homes. Current tax law retains the interest deduction on up to $1,000,000 for homes acquired before 12/15/17, but limits the deduction for new purchases to mortgage debt of $750,000. This deduction is still allowed for up to two homes.

The deduction for interest on home equity debt is eliminated except when used to buy, build or substantially improve the home that secures the loan. (expires in 2026)

STATE AND LOCAL TAX (SALT) DEDUCTIONS

The Tax Cuts and Jobs Act of 2017 limited state and local tax deductions to $10,000.

2020 TAX RATES

Taxable income is income after all deductions, including either itemized deductions or the standard deductions.

Standard Deduction – Single $12,400; Head of Household $18,650; Joint $24,800; Dependent cannot exceed the greater of $1,100 or $350 + earned income.

Extra Deduction if Blind or Over 65 – Single and Head of Household $1,650; all others $1,300.

SINGLE	
If Taxable Income is:	Your Tax is:
Not over $9,875	10% of taxable income
over $9,875 – $40,125	$987.50 + 12% of the excess over $9,875
over $40,125 – $85,525	$4,617.50 + 22% of the excess over $40,125
over $85,525 – $163,300	$14,605.50 + 24% of the excess over $85,525
over $163,300 – $207,350	$33,271.50 + 32% of the excess over $163,300
over $207,350 – $518,400	$47,367.50 + 35% of the excess over $207,350
over $518,400	$156,235 + 37% of the excess over $518,400

MARRIED FILING JOINTLY/SURVIVING SPOUSE	
If Taxable Income is:	Your Tax is:
Not over $19,750	10% of taxable income
over $19,750 – $80,250	$1,975 + 12% of the excess over $19,750
over $80,250 – $171,050	$9,235 + 22% of the excess over $80,250
over $171,050 – $326,600	$29,211 + 24% of the excess over $171,050
over $326,600 – $414,700	$66,543 + 32% of the excess over $326,600
over $414,700 – $622,050	$94,735 + 35% of the excess over $414,700
over $622,050	$167,307.50 + 37% of the excess over $622,050

HEAD OF HOUSEHOLD	
If Taxable Income is:	Your Tax is:
Not over $14,100	10% of taxable income
over $14,100 – $53,700	$1,410 + 12% of the excess over $14,100
over $53,700 – $85,500	$6,162 + 22% of the excess over $53,700
over $85,500 – $163,300	$13,158 + 24% of the excess over $85,500
over $163,300 – $207,350	$31,830 + 32% of the excess over $163,300
over $207,350 – $518,400	$45,926 + 35% of the excess over $207,350
over $518,400	$154,793.50 + 37% of the excess over $518,400

MARRIED FILING SEPARATELY	
If Taxable Income is:	Your Tax is:
Not over $9,875	10% of taxable income
over $9,875 – $40,125	$987.50 + 12% of the excess over $9,875
over $40,125 – $85,525	$4,617,50 + 22% of the excess over $40,125
over $85,525 – $163,300	$14,605.50 + 24% of the excess over $85,525
over $163,300 – $207,350	$33,271.50 + 32% of the excess over $163,300
over $207,350 – $311,025	$47,367.50 + 35% of the excess over $207,350
over $311,025	$83,653.75 + 37% of the excess over $311,025

PERSONAL EXEMPTION PHASEOUT ("PEP")

The Tax Cuts and Jobs Act of 2017 removed personal exemptions. As a result, the phaseout of personal exemptions was also eliminated.

LIMITATIONS ON ITEMIZED DEDUCTIONS ("PEASE LIMITATION")

The Pease limitation was removed in the Tax Cuts and Jobs Act of 2017. The Pease limitation reduced itemized deductions by $3,000 for every $100,000 of AGI over the threshold amount. The Pease limitation did not apply to investment interest expenses, medical expenses, casualty and theft losses, and gambling losses. In addition, the Pease limitation did not apply to estates or trusts.

QUALIFIED DIVIDEND INCOME

The Tax Cuts and Jobs Act of 2017 indefinitely extended the favorable long-term capital gains tax rates for "qualified dividends." To qualify, the taxpayer must have held the stock for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date, and the dividend must be paid from a domestic corporation or certain qualified foreign corporations.

Dividend income that is not qualified dividend income will be taxed at ordinary income rates.

CAPITAL GAINS RATES

Short-term Capital Gains: Assets held for one year or less are taxed at an individual's ordinary tax rate.

Long-term Capital Gains: Assets held for more than one year are taxed at favorable rates outlined in the chart below.

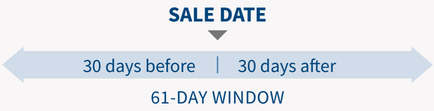
Long Term Capital Gains Rate	Single	Married filing jointly	Married filing separately	Head of Household	Trusts and Estates
0%	$40,000	$80,000	$40,000	$53,600	less than $2,650
15%	$40,001 – $441,450	$80,001 – $496,600	$40,001 – $248,300	$53,601 – $469,050	$2,651 – $13,150
20%	over $441,450	over $496,600	over $248,300	over $469,050	over $13,150

NETTING PROCESS

1. Determine whether you have a net short-term or net long-term capital gain or loss on the sale of stock.
2. Net your short-term gains and short-term losses.
3. Net your long-term gains and long-term losses.
4. Net your short-term gain/loss against long-term gain/loss.
5. For gains, you must pay tax on all gains each year. For losses, you may only deduct up to $3,000 of excess losses against ordinary income per year.
6. Carry over any remaining losses to future tax years.

A note about wash sales

Selling a security at a loss and purchasing another "substantially identical" security – within 30 days before or after the sale date – triggers what the IRS considers a **wash sale**, an action that disallows the loss deduction. The IRS looks at all of your accounts to determine whether a wash sale has occurred, so selling the stock at a loss in a taxable account and buying it within that 61-day window in your 401(k) or IRA isn't a viable option.



MEDICARE TAX

On January 1, 2013, pursuant to the Health Care and Education Reconciliation Act of 2010, high-income taxpayers became subject to two additional Medicare taxes – an additional 0.9% Medicare payroll tax and a 3.8% Medicare surtax on net investment income.

3.8% SURTAX ON UNEARNED INCOME

The 3.8% surtax on "unearned income" applies to individuals, trusts and estates. "Unearned income" is defined as investment income such as income from interest, dividends, annuities, royalties, capital gains and other passive income.

Two conditions must be met for the 3.8% surtax to apply. First, the taxpayer must have investment income, and second, the taxpayer's modified adjusted gross income (MAGI) must exceed the limits below, which are not indexed for inflation:

- $250,000 for taxpayers filing jointly
- $125,000 for taxpayers married filing separately
- $200,000 for other taxpayers

FILING STATUS	3.8% SURTAX APPLIES TO THE LESSER OF:	
Married Filing Jointly	Investment Income	MAGI minus $250,000
Married Filing Separately	Investment Income	MAGI minus $125,000
All Others	Investment Income	MAGI minus $200,000

For purposes of the 3.8% surtax, the MAGI limitation is simply the taxpayer's adjusted gross income (AGI) plus any excluded net foreign income. In general terms, AGI is the number at the bottom of the first page of a taxpayer's 1040 (line 37).

If those two conditions are met, then the 3.8% surtax applies to the amount of the investment income, or if smaller, the difference between the taxpayer's MAGI and the limits listed above. For example, if a single taxpayer has $10,000 of dividend income and MAGI of $205,000, then the 3.8% surtax applies to $5,000. If the same taxpayer had MAGI of $211,000, the 3.8% surtax would apply to $10,000.

The 3.8% surtax does not apply to distributions from tax-favored retirement plans such as IRAs or qualified plans, although distributions from tax-favored retirement plans may increase a taxpayer's MAGI over the limits discussed above and thereby potentially expose investment income to the 3.8% surtax. In general terms, the 3.8% surtax does not apply to active trades or businesses conducted by a sole proprietor, S corporation or partnership, or to the gains and losses on the sale of active trades or businesses. However, working capital is not treated as being part of an active trade or business for purposes of the 3.8% surtax.

0.9% TAX ON WAGES

An additional 0.9% Medicare tax will be imposed on wages of employees and on earnings of self-employed individuals. The 0.9% Medicare tax will apply to wages and self-employment earnings above the limits below, which are not indexed for inflation:

- $250,000 for taxpayers filing jointly
- $125,000 for taxpayers married filing separately
- $200,000 for other taxpayers

The 0.9% Medicare tax applies to employees, but not to employers. For joint filers, the tax applies to the spouses' combined wages. For self-employed individuals, the 0.9% tax is not deductible.

ALTERNATIVE MINIMUM TAX

AMT Tax Rate: 26% rate applies to AMT income at or below $197,900, and 28% applies to income above for all taxpayers except married filing separately.

FILING STATUS	AMT EXEMPTION 2020	AMT EXEMPTION PHASEOUT THRESHOLD 2020
Single Filers and Head of Household	$72,900	$518,400
Married Filing Jointly and Surviving Spouses	$113,400	$1,036,800
Married Filing Separately	$56,700	$518,400

PAYROLL TAX DEFERRAL

A key provision of the 2020 stimulus bill provides employers the ability to delay the payment of employer payroll taxes until December 31, 2021. At that time, half of the payroll tax will be due with the rest due by December 31, 2022. This is intended to try to alleviate the burden on employers who have struggled to make payroll. This also includes self-employed individuals. Businesses that take out paycheck loans may not be eligible for this deferral.

RETIREMENT

INDIVIDUAL RETIREMENT ACCOUNTS

Generally, traditional IRA contributions are fully deductible unless you or your spouse is covered by a workplace retirement plan, in which case the following deduction phaseouts apply. If neither individual nor spouse is covered by a plan, you can deduct up to $6,000 each or MAGI, whichever is less. Under the SECURE Act, the age limit of 70½ for contributions to traditional IRAs was removed. As long as an individual has earned income, they may contribute to a traditional or Roth IRA subject to MAGI phaseout limits.

TRADITIONAL IRA: DEDUCTIBILITY OF CONTRIBUTIONS		
Status	Modified Adjusted Gross Income	Deduction Allowed
Single Filers and Head of Household	$0 – $65,000	$6,000 Maximum
	$65,000 – $75,000	Partial
	More than $75,000	None
Married Filing Jointly and Surviving Spouses	$0 – $104,000	$6,000 Maximum
	$104,000 – $124,000	Partial
	More than $124,000	None
Married Non-Covered Spouses*	$0 – $196,000	$6,000 Maximum
	$196,000 – $206,000	Partial
	More than $206,000	None

* Applies to individuals whose spouses are covered by a workplace plan but who are not covered themselves.

ROTH IRAS

Contributions made to a Roth IRA are not deductible, unlike contributions made to a traditional IRA, and there is no age restriction on making contributions. An individual may contribute up to $6,000 to the Roth IRA, subject to income phaseout limits.

ROTH IRA: ELIGIBILITY OF CONTRIBUTIONS		
Status	Modified Adjusted Gross Income	Contribution
Single Filers and Head of Household	$0 – $124,000	$6,000 Maximum
	$124,000 – $139,000	Partial
	More than $139,000	None
Married Filing Jointly and Surviving Spouses	$0 – $196,000	$6,000 Maximum
	$196,000 – $206,000	Partial
	More than $206,000	None

CATCH-UP CONTRIBUTIONS

If you have either a traditional or Roth IRA and are age 50 or older during the tax year, an additional $1,000 may be contributed.

TRADITIONAL & ROTH IRA CONTRIBUTION	
Individual maximum contribution	Catch-up contribution if age 50 or older
$6,000	$1,000
401(K), 403(B), 457 AND SARSEP CONTRIBUTION	
Employee maximum deferral contribution	Catch-up contribution if age 50 or older
$19,500	$6,500
SIMPLE IRA CONTRIBUTION & SIMPLE 401(K) CONTRIBUTIONS	
Employee maximum deferral contribution	Catch-up contribution if age 50 or older
$13,500	$3,000

Individual annual limit (415 for DC plans): $57,000

Maximum compensation limit: $285,000

Key Employee limit: $185,000 for officers, $150,000 owners for more than 1% owners, $1 for more than 5% owners

Highly Compensated Employee limit: $130,000 (when 2020 is the lookback year)

IRA ROLLOVERS

Individuals can only make one rollover from an IRA in a 12-month period. In the past, individuals would take distributions from separate IRAs and make multiple rollovers with the philosophy being each IRA only had one rollover. The IRS has since clarified that all of an individual's IRAs are counted as one, and only one rollover can occur per 12-month period. However, this is different than trustee-to-trustee transfers. Those movements of money are still unlimited. The ruling applies to individuals receiving a check in their hand, and then rolling the money back into the IRA within 60 days.

Due to the coronavirus outbreak in 2020, the IRS temporarily expanded the 60-day rollover window.

AFTER TAX 401(K) TO ROTH IRA

If you have after-tax dollars in a plan and are able to take a rollover eligible distribution, you may direct those after-tax dollars to a Roth IRA as a tax-free transaction. There are two critical elements to the distributions. First, you must tell the plan administrator how you are allocating the pre-tax and after-tax dollars beforehand (separate checks preferred). Second, the transfers must occur at the same time. The reason for doing this is because *earnings* from after-tax contributions inside a 401(k) will be subject to ordinary income tax. If those after-tax contributions grow inside a Roth IRA instead, the growth is potentially tax free.

SOCIAL SECURITY

Maximum monthly benefit for retirees at full retirement age (FRA) in 2020 is $3,011.

If an individual files for Social Security prior to FRA, they are subject to the earnings test. Benefits will be withheld until full retirement age, when benefits are increased permanently to account for withheld benefits.

For those under full retirement age for the entire year: $18,240*

For months before reaching full retirement age in the year full retirement age will be reached: $48,600**

Beginning with month reaching full retirement age: No reduction in benefit associated with earnings

*If your earnings exceed this, then $1 of benefits is withheld for every $2 you earn above $18,240

**If your earnings exceed this, then $1 of benefits is withheld for every $3 you earn above $48,600

SOCIAL SECURITY TAXATION THRESHOLDS		
	Up to 50% taxed	Up to 85% taxed
Single	$25,000 – $34,000	More than $34,000
Married Filing Jointly	$32,000 – $44,000	More than $44,000

*Taxation is based on Combined Income, which is defined as AGI + nontaxable interest + 1/2 Social Security Benefits

Taxable wage base: $137,700

REQUIRED MINIMUM DISTRIBUTIONS

Most IRA owners will use the following uniform life table to calculate required minimum distributions (RMDs). There is an exception when a spousal beneficiary is more than 10 years younger than the participant and is the sole beneficiary on January 1. In this case, a different table is used.

To calculate your RMD, first find the age you will turn in 2020 and the corresponding applicable divisor. Then divide the prior year-end balance of your IRA account by the divisor. For illustration purposes we are using Table III (Uniform Tables).

For example, if you are now 82, your applicable divisor is 17.1. If the balance in your IRA as of December 31 of last year was $235,000, divide that amount by 17.1. The result is $13,742.69. This is the amount of your RMD for the current year.

AGE	APPLICABLE DIVISOR	AGE	APPLICABLE DIVISOR	AGE	APPLICABLE DIVISOR
70	27.4	86	14.1	102	5.5
71	26.5	87	13.4	103	5.2
72	25.6	88	12.7	104	4.9
73	24.7	89	12	105	4.5
74	23.8	90	11.4	106	4.2
75	22.9	91	10.8	107	3.9
76	22	92	10.2	108	3.7
77	21.2	93	9.6	109	3.4
78	20.3	94	9.1	110	3.1
79	19.5	95	8.6	111	2.9
80	18.7	96	8.1	112	2.6
81	17.9	97	7.6	113	2.4
82	17.1	98	7.1	114	2.1
83	16.3	99	6.7	115+	1.9
84	15.5	100	6.3		
85	14.8	101	5.9		

RMD DEADLINES

For IRAs, the RMD deadline is December 31 each year. For your first distribution (and only your first), you get a 3-month extension until April 1 of the following year. However, if you wait until after December 31 to take your RMD, you will have to take two RMDs in one year.

RMD deadlines: April 1, 2020 (for those who delayed their first RMD from 2019); December 31, 2020, thereafter and for all others.

Due to the CARES Act, most individuals do not have an RMD in 2020. The waiver applies to IRA RMDs including SEPs and SIMPLEs, Beneficiary IRAs, Defined Contribution RMDs (401(k)s and 403(b)s), federal thrift savings plan RMDs, governmental 457(b) plan RMDs, and inherited IRAs that are following the five-year distribution rule. There is no need to make up the RMD in future years. RMDs are not eligible for rollovers, however, since technically there is no RMD in 2020, if you've already taken a distribution, you may be able to roll the funds back.

If you are over 70½ and still working, you can generally delay your RMDs from your 401(k) or other qualified retirement plans until after you retire. For all subsequent years, distributions must be made annually by December 31.

RMDs are calculated by dividing your traditional IRA or retirement plan account balance by a life expectancy factor specified in IRS tables. Your account balance is usually calculated as of December 31 of the year preceding the calendar year for which the distribution is required to be made.

Passage of the SECURE Act created modifications to RMD requirements for traditional IRAs (and other defined contribution plans). Individuals that turned 70½ in 2019 will still be required to take a distribution for the year of 2019 and each year thereafter (except for 2020 due to the CARES Act waiver). If you delayed your first 2019 RMD and instead decided to take it in 2020, you are exempt from RMDs for both 2019 and 2020. Individuals born on or after July 1, 1949, may now wait until the year they turn 72 to begin taking RMDs. However, you have some flexibility as to when you actually have to take this first-year distribution. As previously mentioned, for the year of your first RMD, you can delay taking the distribution up until April 1 of the following year. Since this first distribution generally must be taken no later than April 1, this April 1 date is known as your required beginning date. Required distributions for subsequent years must be taken no later than December 31 of each calendar year. This means that if you opt to delay your first distribution until April 1 of the following year, you will be required to take two distributions during that year – your first year's required distribution and your second year's required distribution.

Most IRA owners will use the uniform life table to calculate RMDs. There is an exception when a spousal beneficiary is more than 10 years younger than the participant and is the sole beneficiary on January 1. In this case, a different table is used.

To calculate your RMD, first find the age you will turn in 2019 and the corresponding applicable divisor. Then divide the prior year-end balance of your IRA account by the divisor. The resulting number is the dollar figure you will need to remove from your IRA to meet your RMD for the current year.

In addition to the changes for IRA account owners, the SECURE Act also changes the distribution options for most non-spousal beneficiaries of IRAs. If an IRA account owner dies in 2020 or beyond, non-spousal beneficiaries will lose the ability to stretch distributions over their life expectancy. Rather, they will have 10 years starting in the year after death to fully distribute the account. There are no annual distribution requirements, only that the account is totally distributed by the end of the 10th year.

There are several exceptions to the 10-year rule for non-spousal beneficiaries: disabled or chronically ill beneficiaries and beneficiaries that are not more than 10 years younger than the deceased account owner will still have the ability to stretch distributions over their life expectancy. Minor children of the deceased account owner can also take RMDs using their life expectancy until they reach the age of majority and then they will have 10 years to fully distribute the account.

HEALTH SAVINGS ACCOUNTS (HSAS)

Created as part of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 and rapidly growing in popularity, health savings accounts (HSAs) are a tax-advantaged way for individuals to save for health-care expenses.

Eligibility

- Anyone with an HSA qualified high-deductible health policy (HDHP) is eligible; it is not dependent on an employer offering.
- There are no income limits affecting eligibility.
- The HSA belongs to the individual not the employer.

- An HSA can be set up with any qualified trustee or custodian.
- As long as an individual has not enrolled in Medicare Part A or B, they are eligible and may contribute to an HSA. Once an individual enrolls in Medicare, they may no longer contribute to an HSA.
- There is also a requirement that they not have any other health coverage or an FSA, and they can't be claimed as a tax dependent on anyone else's tax return. See IRS Publication 969 for full requirements.

Contributions

- In 2020, individuals can contribute $3,550 to an HSA and families can contribute $7,100.
- An individual age 55 or older can contribute an additional $1,000 catch-up contribution for a total of $4,550 in 2020.
- If a spouse is also 55 they can contribute an additional $1,000 to their respective HSA for a total family contribution of $9,100 in 2020.
- Anyone can make a contribution to an HSA on another person's behalf and, per IRS HSA rules, the account holder is the one who claims the deduction.
- There are no limits on the amount that can be carried forward each year.
- For qualified individuals, HSAs are the only type of tax-preferenced investment account that enjoys the benefits of tax-deductible contributions, tax-deferred growth of earnings and tax-free distributions (for qualified medical expenses).

ESTATE, GIFT AND GST TAX

2020 ESTATE, GIFT AND GENERATION SKIPPING TAX	
Gift and Estate Tax Applicable Exclusion Amount	$11,580,000
GST Tax Exemption	$11,580,000
Annual Gift Tax Exclusion Amount	$15,000
Non-Citizen Spouse Annual Exclusion	$157,000
Unified Credit Amount	$4,577,800

The annual gift **tax exclusion** > **$15,000**

allowing married couples to gift a combined $30,000

TRUST AND ESTATE INCOME TAX RATES	
If Taxable Income is:	Your Tax is:
Not over $2,600	10% of taxable income
over $2,600 – $9,450	$260 + 24% of the excess over $2,600
over $9,450 – $12,950	$1,904 + 35% of the excess over $9,450
over $12,950	$3,129 + 37% of the excess over $12,950

ESTATE AND GIFT TAX RATES				
Taxable Gift/Estate			Percentage	Of Amount
Over	Not Over	Pay	On Excess	Above
$0	$10,000	$0	18%	$0
$10,000	$20,000	$1,800	20%	$10,000
$20,000	$40,000	$3,800	22%	$20,000
$40,000	$60,000	$8,200	24%	$40,000
$60,000	$80,000	$13,000	26%	$60,000
$80,000	$100,000	$18,200	28%	$80,000
$100,000	$150,000	$23,800	30%	$100,000
$150,000	$250,000	$38,800	32%	$150,000
$250,000	$500,000	$70,800	34%	$250,000
$500,000	$750,000	$155,800	37%	$500,000
$750,000	$1,000,000	$248,300	39%	$750,000
1,000,000		$345,800	40%	$1,000,000

EDUCATION

CONTRIBUTION AMOUNTS TO COVERDELL

$2,000 per beneficiary. This amount is phased out from $190,000 to $220,000 for married filing jointly, and $95,000 to $110,000 for single filers.

GIFTS TO 529 PLANS

Gifts can be front-loaded up to $75,000 (5 years x $15,000 annual exclusion) per individual or $150,000 for married couples who split gifts. Front-loading uses the annual gift tax exclusion for the current year and the next four years (for a total of five years).

As part of the 2017 tax legislation, the use of 529 plans has been extended to cover expenses for tuition in connection with enrollment or attendance at an elementary or secondary public, private or religious school. These expenses for a single beneficiary during any taxable year should not exceed $10,000 incurred during that year.

AMERICAN OPPORTUNITY CREDIT

Up to 100% of the first $2,000, and 25% of the next $2,000, for a total of $2,500 maximum credit per eligible student per year, with reduction for MAGI between $80,000 and $90,000 for single filers, and $160,000 and $180,000 for joint filers.

LIFETIME LEARNING CREDIT

Up to 20% of the first $10,000 (per taxpayer) of qualified expenses paid in 2019 with reduction for MAGI from $59,000 to $69,000 for single filers and $118,000 to $138,000 for joint filers.

STUDENT LOAN INTEREST DEDUCTION

$2,500 “above-the-line” deduction, with reduction for MAGI from $70,000 to $85,000 for single filers and $140,000 to $170,000 for married filing jointly.

CARES ACT ADMINISTRATIVE FORBEARANCE FOR FEDERAL STUDENT LOANS

The CARES Act included a new six-month automatic suspension of federal student loan payments, with no interest accruing during this period. The six-month period ends on September 30, 2020.

The new legislation provides this administrative forbearance for any student loan held by the federal government. This includes Direct Loans (which includes PLUS Loans), as well as Federal Perkins Loans and Federal Family Education Loan (FFEL) Program loans held by the Department of Education. Private student loans are not eligible. Borrowers do no need to contact their loan servicer to request a suspension; they will be automatically placed in administrative forbearance, unlike previous policies.

The new stimulus legislation also provides a temporary incentive for employers to pay down their employees' student debt balances. Specifically, employers are able to contribute up to $5,250 toward an employee's student debt through December 31, 2020, without any tax consequences for the employee.

MODIFIED AGI – U.S. SAVINGS BOND

Interest Exclusion

$82,350 to $97,350 for single filers and $123,550 to $153,550 for married filing jointly. Bonds must be titled in the name of the parents only, owner must be age 24 or older at the time of issue, proceeds must be used for qualified postsecondary education expenses of the taxpayer, the taxpayer's spouse or the taxpayer's dependent.

KIDDIE TAX RULES

Kiddie Tax refers to investment and unearned income tax for individuals age 17 and under. The kiddie tax rate has once again changed, this time under the SECURE Act. It requires the unearned income of a child or young adult be taxed at the child's parents' marginal tax rate once the unearned income exceeds $2,200. The new rule applies to 2020, however taxpayers can retroactively apply it to tax years 2018 and 2019. Under the Kiddie Tax rules, the first $1,100 in unearned income is not subject to tax. The next $1,100 of unearned income is taxed at the child's rate. Then, any unearned income of more than $2,200 is taxed at the parents' marginal tax rate. The Kiddie Tax rules apply to unearned income of the following:

- A child age 17 or under at the end of the tax year
- An individual who is 18 (at the end of the tax year) whose earned income (excluding scholarships, if a full-time student) does not exceed half of his or her support costs during the year
- A 19- to 23-year-old full-time student whose earned income (excluding scholarships) does not exceed half of his or her support during the year (A student is considered full time if he or she is a full-time student during any part of at least five months during the year.)

Please note, your child would not be subject to the Kiddie Tax if:

- He or she only had earned income
- He or she is not required to file because their income is below the filing threshold
- He or she is filing jointly

CHILD TAX CREDIT

With the Tax Cuts and Jobs Act of 2017, the Child Tax Credit was expanded to $2,000 per child, with $500 being nonrefundable for dependents who are not qualifying children. The credit is phased out $50 for each $1,000 or fraction thereof of MAGI over $200,000 for single filers and married filing separately and $400,000 for married filing jointly. The credit is also partially refundable up to 15% of earned income in excess of $2,500 for a maximum refund of $1,400.

BUSINESS

CORPORATE TAX RATES

Flat 21%

CORPORATE DIVIDEND EXCLUSION

Corporations get a tax break for investing in common and preferred stocks (of companies other than their own).

- There is a dividend exclusion of 50% that applies to corporations that own less than 20% of the other company. (In other words, 50% of dividends received from another corporation are tax-free.)
- If the company owns between 20% and 80%, the dividend exclusion is 65%.
- If the company owns 80% or more, the exclusion is 100%.

STANDARD MILEAGE RATE

57.5 cents per mile.

CARES ACT BUSINESS IMPACTS

1. Delayed Payment of Self-Employment Taxes

If you're self-employed, you ordinarily pay a 12.4% Social Security tax on up to $137,700 in net self-employment income as part of your quarterly estimated tax payments to the IRS. The CARES Act allows you to defer 50% of your 2020 Social Security taxes until the end of 2021 and 2022. If you choose to do this, you must pay 25% of the deferred amount by December 31, 2021, and 25% by December 31, 2022.

2. Deducting Business Losses

The CARES Act makes it much easier for businesses that lose money to deduct their losses. It reverses restrictions that went into effect in 2018 as part of the Tax Cuts and Jobs Act (TCJA). Net operating losses (NOLs) occurring during 2018, 2019 and 2020 may be used to offset 100% of other nonbusiness income earned during those years, rather than just 80% under the TCJA. In addition, NOLs incurred during 2018 through 2020 can be carried back five years to reduce taxes paid in those years. This can result in a quick tax refund from this IRS.

The CARES Act eliminates another restriction imposed by the TCJA. The TCJA limited annual deductions of "excess business losses" by individual business owners during 2018 through 2025 to no more than $50,000 for married couples and $255,000 for single payers. The CARES Act has completely eliminated this. Taxpayers with very large losses in any of these years can deduct them in full.

3. Deducting Improvements to Commercial Buildings

The TCJA intended to help owners or renters of commercial buildings to quickly deduct interior improvements by allowing 100% bonus depreciation for such improvements and a shorter 15-year recovery period for depreciation. Due to a drafting error, this change was never made. The CARES Act fixes this error, retroactive to January 1, 2018. If you incurred any improvement costs in 2018 or 2019, you can file an amended return and fully deduct those costs, resulting in a tax refund from the IRS.

4. Interest Expense Deduction

Prior to 2018, businesses could deduct all the interest they paid without limit. However, starting in 2018, the TCJA allowed all businesses with average gross receipts of $25 million to deduct interest payments only up to 30% of their adjusted taxable income. The CARES Act increases this amount to 50% for 2019 and 2020.

5. Tax Help for Employers

The CARES Act also contains a complex employee retention credit designed to help employers who keep paying their employees even though their business is closed or sales have declined by more than 50%. This is a one-year-only credit of up to $10,000 per employee paid against the employer's 6.2% of Social Security payroll taxes. The credit is refundable – employers who owe no taxes can still get the full amount. Employers may also defer the employer's share of 2020 Social Security payroll taxes (6.2% up to the annual ceiling) until 2021 and 2022.

CONSIDERATIONS

PRESENT VALUE OF A LUMP SUM

What if you know you will need $10,000 accumulated 10 years from now? How much money do you need to invest today at an average interest rate of 8% to obtain your goal? Looking at the table below, go to 10 years and then across to 8%. You see that $0.463 invested today at 8% should yield $1 in 10 years. Since you want $10,000, multiply $0.463 by $10,000 to arrive at $4,630.

YEARS	5%	6%	8%	10%	12%
10	.614	.558	.463	.386	.322
20	.377	.312	.215	.149	.104
30	.231	.174	.099	.057	.033
40	.142	.097	.046	.022	.011

FUTURE VALUE OF A LUMP SUM

If you invest $10,000 at an interest rate of 8%, how much will your investment be worth in 10 years? By referring to the table, you find that $1 invested today at 8% would grow to $2.159 in 10 years. Since you invested $10,000, multiply $2.159 by $10,000, giving you $21,590.

YEARS	5%	6%	8%	10%	12%
10	1.629	1.791	2.159	2.594	3.106
20	2.653	3.207	4.661	6.727	9.646
30	4.322	5.743	10.063	17.449	29.960
40	7.040	10.286	21.725	45.259	93.051

These are hypothetical illustrations and are not intended to reflect the actual performance of any particular security. Actual investor results will vary. Investments involve risk and you may incur a profit or a loss.

PRESENT VALUE OF A SERIES OF ANNUAL PAYMENTS

How much money would you need to invest today at an interest rate of 8% to provide $10,000 per year for 10 years? Looking at the chart below, to receive $1 per year for 10 years at 8%, you would need to invest $6.710. Multiply that figure by $10,000 to get $67,100, the amount that you would need to invest.

YEARS	5%	6%	8%	10%	12%
10	7.722	7.360	6.710	6.145	5.650
20	12.462	11.470	9.818	8.514	7.469
30	15.372	13.765	11.258	9.427	8.055
40	17.159	15.046	11.925	9.779	8.244

FUTURE VALUE OF A SERIES OF ANNUAL PAYMENTS

If you deposit $5,000 in an annuity at the end of each year for 10 years at an 8% interest rate, you would have $72,435 ($5,000 x $14.487) in your account at the end of the 10th year.

YEARS	5%	6%	8%	10%	12%
10	12.578	13.181	14.487	15.937	17.549
20	33.066	36.786	45.762	57.275	72.052
30	66.439	79.058	113.283	164.494	241.333
40	120.800	154.762	259.057	442.593	767.091

TAXABLE EQUIVALENT YIELDS

Taxable equivalent yield is the return that is required on a taxable investment to make it equal to the return on a tax-exempt investment. The taxable equivalent yield is commonly used when evaluating municipal bond returns.

TAX EXEMPT YIELDS	10%	12%	22%	24%	32%	35%	37%
1.00%	1.11%	1.14%	1.28%	1.32%	1.47%	1.54%	1.59%
1.50%	1.67%	1.70%	1.92%	1.97%	2.21%	2.31%	2.38%
2.00%	2.22%	2.27%	2.56%	2.63%	2.94%	3.08%	3.17%
2.50%	2.78%	2.84%	3.21%	3.29%	3.68%	3.85%	3.97%
3.00%	3.33%	3.41%	3.85%	3.95%	4.41%	4.62%	4.76%
3.50%	3.89%	3.98%	4.49%	4.61%	5.15%	5.38%	5.56%
4.00%	4.44%	4.55%	5.13%	5.26%	5.88%	6.15%	6.35%
4.50%	5.00%	5.11%	5.77%	5.92%	6.62%	6.92%	7.14%
5.00%	5.56%	5.68%	6.41%	6.58%	7.35%	7.69%	7.94%
5.50%	6.11%	6.25%	7.05%	7.24%	8.09%	8.46%	8.73%
6.00%	6.67%	6.82%	7.69%	7.89%	8.82%	9.23%	9.52%
6.50%	7.22%	7.39%	8.33%	8.55%	9.56%	10.00%	10.32%
7.00%	7.78%	7.95%	8.97%	9.21%	10.29%	10.77%	11.11%
7.50%	8.33%	8.52%	9.62%	9.87%	11.03%	11.54%	11.90%

These are hypothetical illustrations and are not intended to reflect the actual performance of any particular security. Actual investor results will vary. Investments involve risk and you may incur a profit or a loss.

IMPORTANT DEADLINES

4TH QUARTER 2019 ESTIMATED TAX PAYMENT DUE

January 15, 2020

ESTIMATED TAX DEADLINES

The coronavirus outbreak has changed the deadlines for estimated tax payments for 2020. They are:

July 15, 2020 (payment 1)
July 15, 2020 (payment 2)
September 15, 2020 (payment 3)
January 15, 2021 (payment 4).

CORPORATE RETURN DEADLINE

March 16, 2020, for calendar year partnerships and S-corporations returns

RMD DEADLINE

Under the CARES Act, 2020 RMD payments have been waived. This includes beneficiary IRA payments.

TAX DEADLINE
July 15, 2020, for 2019 returns
October 15, 2020, for extensions

LOCK IN GAINS/LOSSES, MAKE CONTRIBUTIONS TO 529 PLANS, GIFT
December 31, 2020

DEADLINE FOR ESTABLISHING A SIMPLE IRA
October 1, 2020

DEADLINE FOR ESTABLISHING A QUALIFIED PLAN
December 31, 2020

LIFE WELL PLANNED.

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Roth IRA owners must be 59½ or older and have held the IRA for five years before tax-free withdrawals are permitted.

Raymond James does not provide tax or legal services. Please discuss these matters with the appropriate professional.