

INCOME TAXES

2019				2020			
If taxable income is:				If taxable income is:			
Over	But not >	The tax is	Of the amount >	Over	But not >	The tax is	Of the amount >
Married filing jointly				Married filing jointly			
0	19,400	0 + 10%	\$0	0	19,750	0 + 10%	\$0
19,400	78,950	1,940 + 12%	19,400	19,750	80,250	\$1,975 + 12%	19,750
78,950	168,400	9,086 + 22%	78,950	80,250	171,050	\$9,235 + 22%	80,250
168,400	321,450	28,765 + 24%	168,400	171,050	326,600	\$29,211 + 24%	171,050
321,450	408,200	65,497 + 32%	321,450	326,600	414,700	\$66,543 + 32%	326,600
408,200	612,350	93,257 + 35%	408,200	414,700	622,050	\$94,735 + 35%	414,700
612,350	—	164,710 + 37%	612,350	622,050	—	\$167,308 + 37%	622,050
Single				Single			
0	9,700	0 + 10%	\$0	0	9,875	0 + 10%	0
9,700	39,475	970 + 12%	9,700	9,875	40,125	\$988 + 12%	9,875
39,475	84,200	4,543 + 22%	39,475	40,125	85,525	\$4,618 + 22%	40,125
84,200	160,725	14,383 + 24%	84,200	85,525	163,300	\$14,606 + 24%	85,525
160,725	204,100	32,749 + 32%	160,725	163,300	207,350	\$33,272 + 32%	163,300
204,100	510,300	46,629 + 35%	204,100	207,350	518,400	\$47,368 + 35%	207,350
510,300	—	153,799 + 37%	510,300	518,400	—	\$156,235 + 37%	518,400
Estates and trusts				Estates and trusts			
\$0	\$2,600	\$0 + 10%	\$0	\$0	\$2,600	0 + 10%	\$0
2,600	9,300	260 + 24%	2,600	2,600	9,450	\$260 + 24%	2,600
9,300	12,750	1,868 + 35%	9,300	9,450	12,950	\$1,904 + 35%	9,450
12,750	—	3,076 + 37%	12,750	12,950	—	\$3,129 + 37%	12,950

BUSINESSES

C-Corps: flat 21% rate including professional corps.
***Pass Through Entities (e.g. S-Corps):** Business owner can deduct up to 20% of Qualified Business Income (QBI), subject to certain limitations as follows:
 At higher levels of owner's taxable income (see table), the deduction is limited to the > of: 50% of allocable W-2 wages paid; or 25% of allocable W-2 wages paid plus 2.5% of the unadjusted basis of tangible depreciable property used in the business. In addition, for Specified Service Businesses, business income is not considered QBI, but the deduction is still permitted at lower income levels (see table).

Total Taxable Income of Owner		Limitations
Single	Married	
0-\$163,300	0-\$326,600	No limitations
\$163,300-\$213,300	\$326,600-\$426,600	Limitations phased in
>\$213,300	>\$426,600	Full limitations

3.8% SURTAX ON UNEARNED INCOME

Married filing jointly with income >\$250,000 and singles >\$200,000 who have investment income will be subject to additional 3.8% tax on the lesser of net investment income or the excess of MAGI over the threshold amount, whichever amount is less. Investment income is defined as the sum of gross income from interest, dividends, annuities, royalties, and rents and net gain attributable to the disposition of property.

PERSONAL ALTERNATIVE MINIMUM TAX

AMTI less exemption amount

<\$197,900	26%
>\$197,900	28%

Exemption amts.

	2019	2020
Married filing jointly	\$111,700	\$113,400
Single	\$71,700	\$72,900
Estates and trusts	\$25,000	\$25,400

Phase-out thresholds*

Married filing jointly	\$1,036,800-\$1,490,400
Single	\$518,400-\$810,000
Estates and trusts	\$84,800-\$186,400

STANDARD DEDUCTIONS

	2019	2020	Add'l 65+ or blind
Married filing jointly	\$24,400	\$1,300	
Single	\$12,200	\$1,650	
	\$24,800	\$1,300	
	\$12,400	\$1,650	

CHILD TAX CREDIT*

\$2,000 per child; phases out \$50 for each \$1,000 of MAGI over \$400,000 (married filing jointly) or \$200,000 (single)

CAPITAL GAINS & QUALIFIED DIVIDENDS*: 2020

Cap Gains S-T<12mos. - Ordinary Income Rate
Cap Gains L-T>12mos & Qualified Dividends:

	0%	15%	20%
Married Filled Jointly	0-\$80,000	\$80,001-\$496,600	>\$496,600
Single	0-\$40,000	\$40,001-\$441,450	>\$441,450
Estate & Trusts	0-\$2,650	\$2,651-\$13,150	>\$13,150

KIDDIE TAX

Effective 2020**: Unearned inc. <18 (<24 and current FT student)
 First \$1,100 No Tax
 Next \$1,100 10% Tax
 Amts over \$2,200 parents' rate
 **For tax yrs. 2019 & 2018, taxpayer may choose to apply the 2020 kiddie tax rules.
 For 2019: Unearned inc of a child under age 18 (24 if full time student) that exceeds \$2,200 subject to tax at the inc tax brackets applicable to estates & trusts.

PERSONAL EXEMPTIONS*

Suspended for years 2018 to 2025.

ESTATE AND GIFT TAXES

For deaths/gifts occurring in 2020

If taxable estate is:

Over	But not >	The tax is	Of the amount >
\$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

Subtract applicable credit below from calculated tax.

	Exclusion amount	Applicable credit
2019	\$11,400,000*	\$4,505,800*
2020	\$11,580,000*	\$4,577,800*

GST and lifetime gift tax exclusion: Same as estate tax exclusion amount.

Annual gift tax exclusion: \$15,000/person (\$15,000 in 2019) \$157,000 for non-U.S. citizen spouses (\$155,000 in 2019)

Portability: An executor can elect to allocate the unused portion of a decedent's exclusion amount to the surviving spouse.

HEALTH SAVINGS ACCOUNTS — HSAs

An "eligible individual" is defined as (1) one covered by a high deductible health plan (HDHP) (an annual deductible of \$1,400 for single coverage and \$2,800 for family coverage where the maximum out of pocket cannot exceed \$6,900 for single coverage and \$13,800 for family coverage), (2) is not covered by any other health insurance except for some permitted coverages, (3) is not eligible for and enrolled in Medicare, and (4) cannot be claimed as a dependent on someone else's income tax return.

Contribution limits

	2019	2020
Single	\$3,500	\$3,550
Family	\$7,000	\$7,100

\$1,000 catch-up for individuals 55 & older.

SOCIAL SECURITY

Base amt. of mod. AGI causing Soc. Sec. benefits to be taxable

	50% taxable	85% taxable
Married filing jointly	\$32,000	\$44,000
Single	\$25,000	\$34,000

Maximum earnings before Soc. Sec. benefits are reduced

	2019	2020
Under FRA (lose \$1 for every \$2)	\$17,640	\$18,240
Year FRA is attained	\$46,920	\$48,600
(months prior to FRA lose \$1 for every \$3)		
Once FRA is attained	No limit	No limit

Maximum compensation subject to FICA taxes

Social Security maximum	\$132,900	\$137,700
Medicare maximum	No limit	No limit

FRA: full retirement age

Social Security tax rate: 12.4% self-employed, 6.2% employees

Medicare tax rate: 2.9% self-employed, 1.45% employees

LONG-TERM CARE INSURANCE

Max. qualified LTC premiums eligible for deductions:

	40 or less	41-50	51-60	61-70	Over 70
2019	\$420	\$790	\$1,580	\$4,220	\$5,270
2020	\$430	\$810	\$1,630	\$4,350	\$5,430

Qualified LTC contract per diem limit: \$380 (\$370 in 2019)

*Applicable for tax years 2018 to 2025

IRA

MODIFIED AGI PHASE-OUT RANGE FOR CONTRIBUTIONS TO ROTH IRAS

Married filing jointly	\$196,000-\$206,000
Single	\$124,000-\$139,000
Recharacterization of Roth conversions eliminated.	
Recharacterization of Roth contributions still permitted.	

CONTRIBUTION LIMITS — TRADITIONAL AND ROTH

	2008-2012	2013-2018	2019-2020
Regular	\$5,000	\$5,500	\$6,000
Catch-up*	\$1,000	\$1,000	\$1,000

*Only taxpayers age 50 and over are eligible.

TRADITIONAL IRA DEDUCTIBILITY RULES

Filing status	Covered by employer's retirement plan?	Modified AGI		Deductibility
		2019	2020	
Single	No	Any amount	Any amount	Full deduction
	Yes	\$63,999 or less	\$64,999 or less	Full deduction
		\$64,000 – \$73,999 \$74,000 or more	\$65,000 – \$74,999 \$75,000 or more	Partial deduction No deduction
Married filing jointly	Neither spouse covered	Any amount	Any amount	Full deduction
	Both spouses covered	\$102,999 or less	\$103,999 or less	Full deduction
		\$103,000 – \$122,999	\$104,000 – \$123,999	Partial deduction
		\$123,000 or more	\$124,000 or more	No deduction
	One spouse covered For covered spouse	\$102,999 or less	\$103,999 or less	Full deduction
		\$103,000 – \$122,999	\$104,000 – \$123,999	Partial deduction
\$123,000 or more		\$124,000 or more	No deduction	
One spouse covered For non-covered spouse	\$192,999 or less	\$195,999 or less	Full deduction	
	\$193,000 – \$202,999	\$196,000 – \$205,999	Partial deduction	
	\$203,000 or more	\$206,000 or more	No deduction	

UNIFORM LIFETIME TABLE

For calculating required minimum distributions (RMDs) from qualified plans and traditional IRAs (table will change in 2021)

Current Age	Dist. Period	Current Age	Dist. Period
70	27.4	85	14.8
71	26.5	86	14.1
72	25.6	87	13.4
73	24.7	88	12.7
74	23.8	89	12.0
75	22.9	90	11.4
76	22.0	91	10.8
77	21.2	92	10.2
78	20.3	93	9.6
79	19.5	94	9.1
80	18.7	95	8.6
81	17.9	96	8.1
82	17.1	97	7.6
83	16.3	98	7.1
84	15.5	99	6.7

EDUCATION INCENTIVES

LIFETIME LEARNING CREDITS

Up to 20% of tuition paid (maximum credit is \$2,000); calculated per taxpayer.

Modified AGI phase-outs	2019	2020
Married filing jointly	\$116,000-\$136,000	\$118,000-\$138,000
Single	\$58,000-\$68,000	\$59,000-\$69,000

EXCLUSION OF U.S. SAVINGS BOND INCOME FOR QUALIFIED HIGHER EDUCATION EXPENSES

Modified AGI phase-outs	2019	2020
Married filing jointly	\$121,600-\$151,600	\$123,550-\$153,550
Single	\$81,100-\$96,100	\$82,350-\$97,350

STUDENT LOAN INTEREST DEDUCTION — MAXIMUM DEDUCTION \$2,500

Modified AGI phase-outs	2019	2020
Married filing jointly	\$140,000-\$170,000	\$140,000-\$170,000
Single	\$70,000-\$85,000	\$70,000-\$85,000
Deductibility period	No time limit	No time limit

Coverdell Education Savings Accounts (Education IRAs) — Contribution Limit \$2,000

Modified AGI phase-out range for contributions to Coverdell Education Savings Accounts

Married filing jointly	\$190,000-\$220,000
Single	\$95,000-\$110,000

Qualified Tuition Programs — Section 529 Plans

Distributions for qualified higher education expenses are income-tax free. Retroactive to 2018, higher education includes registered apprenticeship programs. Effective 2018: Includes expenses for elementary or secondary public, private or religious school. Limited to \$10,000/yr. Higher education unlimited.

American Opportunity Tax Credit/ Hope Learning Credits

Modified AGI phase-out Hope credit — up to \$2,500 per student for first four years of higher education tuition paid.

Married filing jointly	\$160,000-\$180,000
Single	\$80,000-\$90,000

QUALIFIED PLANS

	2019	2020
Maximum elective deferral to retirement plans, e.g., 401(k), 403(b)	\$19,000	\$19,500
Maximum elective deferral to SIMPLE IRA and SIMPLE 401(k) plans	\$13,000	\$13,500
Maximum elective deferral to 457 plans of tax-exempt employers	\$19,000	\$19,500
Limit on annual additions to SEP IRA plans	\$56,000	\$57,000
Annual compensation threshold requiring SEP IRA contribution	\$600	\$600
Limit on annual additions to defined contribution plans	\$56,000	\$57,000
Maximum annual compensation taken into account for contributions	\$280,000	\$285,000
Annual benefit limit under defined benefit plans	\$225,000	\$230,000
Threshold amount for definition of highly compensated employee	\$125,000	\$130,000
Threshold amount for definition of key employee in top-heavy plans	\$180,000	\$185,000
Pension Benefit Guaranty Corp. monthly pension amt. (age 65, single life)	\$5,608	\$5,813

SAVER'S TAX CREDIT

Contributions to employer plans and IRAs. Max credit \$1,000 per taxpayer — AGI limits below.

Married filing jointly	Single	Credit
\$0-\$39,000	\$0-\$19,500	50% of contribution
\$39,001-\$42,500	\$19,501-\$21,250	20% of contribution
\$42,501-\$65,000	\$21,251-\$32,500	10% of contribution
Over \$65,000	Over \$32,500	Not available

CATCH-UP CONTRIBUTION LIMITS FOR OTHER QUALIFIED PLAN TYPES

	2019	2020
401(k), 403(b), SARSEP and 457 plans	\$6,000	\$6,500
SIMPLE IRA and SIMPLE 401(k) plans	\$3,000	\$3,000

Life insurance offered through Allstate Life Ins. Co. & Allstate Assurance Co., 3075 Sanders Rd, Northbrook IL 60062; American Heritage Life Ins. Co., 1776 American Heritage Life Dr., Jacksonville FL 32224. In New York, life insurance offered through Allstate Life Insurance Company of New York, Hauppauge NY. Securities offered by Personal Financial Representatives through Allstate Financial Services, LLC (LSA Securities in LA and PA). Registered Broker-Dealer. Member FINRA, SIPC. Main Office: 2920 South 84th Street, Lincoln, NE 68506. (877) 525-5727. Check the background of this firm on FINRA's BrokerCheck website <http://brokercheck.finra.org>. This material is intended for general educational purposes only. Please note that neither the offering insurance company nor any of its agents or representatives can give legal or tax advice. The brief discussion of taxes in this brochure may not be complete or necessarily current. The tax laws and regulations are complex and subject to change. For complete details, consult your attorney or tax advisor.

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