THE Browne FIRM

Tax fact sheet (2020)

Note: This handout has been updated to reflect the U.S. Treasury announcement on 3/20. Readers should verify that no further changes have been made to the filing and payment deadlines.

The filing period started on January 27, 2020 and ends on July 15, 2020. It is prudent to start preparing your taxes right away and to not wait until the last day to file a tax return. To help answer your burning tax questions, below is a tax cheat sheet. It will help guide you in interpreting and understanding the significant changes brought by the Tax Cuts and Jobs Act. **What standard deduction should I take?**

Standard deductions

Deductions work to lower the total amount that a taxpayer must pay taxes on. Any taxpayer is eligible to claim the standard deduction because there are no eligibility requirements. The standard deduction may also be more convenient to elect because there are no special forms to complete and no income limitations.

Filing status	Deduction amount
Single taxpayer or married filing separate	$12,200
Head of household	$18,350
Married filing jointly	$24,400

Are you aged 65+ or have a disability? Then increase your standard deduction by the following amounts:

Additional deductions based on taxpayer age (65+)	Additional amount
65 or older, filing as a single person or head of household	$1,650
65 or older, married filing jointly and only one is 65+	$1,300
Married filing jointly and both are 65 or over	$2,600

Itemized tax deduction

If you think your personal expenses will be higher than the standard deduction amount, then you should consider itemizing your tax deduction.

Common expenses that qualify for itemized deductions:

Deduction	Amount
Home mortgage interest	Allowed up to the first $750,000 borrowed on a mortgage
Personal property taxes and either state and local income taxes or sales taxes (SALT deduction)	Annual cap of $10,000 (can be combined taxes)
Qualified, unreimbursed medical and dental expenses	Can deduct the amount that exceed 7.5% of adjusted gross income
Charitable contributions to a charity which has tax-exempt status	Cash contributions are generally limited to no more than 60% of adjusted gross income (AGI); non-cash contributions are taxed differently as the limitremains at 30% of AGI

Common tax credits

Tax credits reduce the amount of a taxpayer's liability. Tax credits are either refundable or non-refundable. Non-refundable credits can lower a taxpayer's tax bill, while a refundable credit may result in a tax refund.

Tax credits for parents with minor children

- Child Tax Credit: If you have an AGI (annual gross income) of less than $200,000 as a single filer or $400,000 as a married couple filing jointly, then you can claim up to $2,000 per child or dependent. To be eligible for the credit, a taxpayer's child must be under age 17 at the end of 2019, a U.S. Citizen, U.S. National, or a resident alien, and have a Social Security Number.

- Child and Dependent Care Credit: A taxpayer may claim this credit if he or she paid expenses for the care of a "qualifying individual" to enable the taxpayer to work, actively look for work, or attend school full-time. There are limitations to the total expenses that can be used to calculate the credit; the credit may not exceed $3,000 (for one qualifying individual) or $6,000 (for two or more qualifying individuals). This is a non-refundable credit. A "qualifying individual" may include:

  - a spouse who was physically or mentally incapable of self-care and lived with the taxpayer for more than half of the year;
  - a dependent qualifying child who was under age 13 when the care was provided;
  - an individual who was physically or mentally incapable of self-care, lived with the taxpayer for more than half of the year, and either: (a) was your dependent; or (b) could have been your dependent except that he or she received gross income of $4,200 or more, or filed a joint return, or you (or your spouse, if filing jointly) could have been claimed as a dependent on another taxpayer's 2019 return.

Education credits

- American Opportunity Tax Credit (AOTC): a partially refundable credit that can be claimed by taxpayers with a child(ren) in the first four years of post-secondary school. That child must be enrolled at least half-time and be eligible to receive a certificate or similar educational credential at the completion of studies. There is a maximum annual credit of $2,500 for eligible education expenses per qualifying student, but there are income limitations that may render some ineligible. Generally, a taxpayer whose modified AGI is $80,000 or less (or $160,000 or less for joint filers) can claim this credit.

- Lifetime Learning Credit: applies to any additional years of post-secondary school and is available to a much broader group of people for qualified tuition and related expenses (including undergraduate, graduate and professional degree courses including courses to acquire or improve job skills). It can be used throughout a person's lifetime, whether as an undergraduate student, graduate student or older nontraditional student. There is a maximum credit of $2,000 and there are income limitations which may disqualify some taxpayers. The credit cannot be claimed if AGI is greater than $68,000 for single filers and $136,000 for those filing a joint return.

Have a tax question or want to know how an estate planner can help lessen your estate's tax liability? Contact The Browne Firm today.

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