

ADVISOR'S BULLETIN

WHAT'S IN THIS MONTH'S NEWSLETTER

KEY 2020 PENSION, EMPLOYEE BENEFIT, AND TAX NUMBERS

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A MESSAGE FROM MICHAEL W. LAGOS, CFP®

Dear Strategic Advisor:

A number of figures used in the estate, financial, employee benefit, and income-tax planning fields are subject to change or indexed for inflation. The following list—adapted from those originally found in *Tools and Techniques of Employee Benefit and Retirement Planning*, *Tools and Techniques of Estate Planning*, and *Tools and Techniques of Charitable Planning* (800-543-0874)—is an update of the latest figures available with a brief explanation of their applicability.

The numbers presented in this issue of Advisors Bulletin are current at the time of its publication. These figures (and discussions thereof) do not take into consideration any proposed or pending legislation. To stay up-to-date with the latest cases, rulings, legislation, and figures and for commentary and the actual text of cases and rulings, subscribe to Steve Leimberg's excellent LISI service, located at <http://www.leimbergservices.com>.

Many of the annual adjustments to the numbers on these charts are based on the federal cost-of-living index. Because the federal cost-of-living index for the quarter ended September 30, 2019, is higher than the cost-of-living index for the quarters ended September 30 for the preceding year, some of the limits for 2020 are higher than those for 2019.

Additionally, on December 22, 2017, the president signed into law the Tax Cuts and Jobs Act of 2017 (TCJA). The TCJA brought sweeping changes to our tax system, changing the way both individuals and businesses are taxed.

Please keep reading to find out more and contact me with any questions.

Regards,

Michael W. Lagos, CFP®

The Advisor's Bulletin is provided by LAGOS WEALTH ADVISORS AND LAGOS FINANCIAL & INSURANCE SERVICES, INC. It is intended to serve as a resource for the advisors which we are associated with. Recent developments in estate, business, and insurance planning are outlined for your reference. Should you wish to receive additional information related to financial planning, estate planning, insurance planning, or investment management, please do

KEY 2020 PENSION, EMPLOYEE BENEFIT, AND TAX NUMBERS

Perhaps the most drastic change was the reduction in corporate tax rates. The TCJA introduced a flat tax rate of 21 percent for C corporations, compared to 2017's highest corporate tax rate of 35 percent. Pass-through entities such as S corporations, partnerships, and sole proprietors may also see some tax relief. The TCJA allows a 20 percent deduction of qualified business income for certain pass-through entities.

Most individuals have seen some tax reduction. While the number of tax brackets was not condensed by the TCJA, most of the tax rates were slightly reduced. In 2017 the highest individual tax bracket was 39.6 percent; in 2020 the highest individual bracket is 37 percent.

One of the biggest impacts of the TCJA for individuals, whether filing single or married filing joint, has been the difference in the standard deduction. In 2020, the standard deduction is almost doubled from 2017 levels, meaning that fewer taxpayers get the benefit of itemized deductions. The TCJA also eliminated the PEASE phaseout. The PEASE phaseout reduced or eliminated some itemized deductions for high-income earners.

Another significant change was the elimination of the personal exemption. In 2017 most filers received a personal exemption of \$4,050 per individual included on a tax return. A family of five would typically receive personal exemptions in the amount of \$20,250, meaning that \$20,250 worth of their income was shielded from taxation. The TCJA did away with personal exemptions completely.

Unless otherwise indicated, all section references are to the Internal Revenue Code.

Pension Benefit Guaranty Corporation

	2019	2020
Maximum Monthly Guaranteed Benefit	\$5,608	\$5,813
Flat Premium Rate	\$80	\$83

Important COLAs and Scheduled Increases

	2018	2019	2020
Limit for Defined Benefit Plans Sec. 415(b)(1)(A). Maximum yearly benefit allowed is the lesser of 100 percent of the average highest 3 years' compensation or the indicated figure. Reductions apply for plans with pre-65 normal retirement ages and for participants with less than 10 years of service.	\$220,000	\$225,000	\$230,000 (Indexed in \$5,000 increments)
Limit for Defined Contribution Plans Sec. 415(c)(1)(A). Maximum annual addition is lesser of these numbers.	\$55,000 or 100% of compensation	\$56,000 or 100% of compensation	\$57,000 or 100% of compensation (Indexed in \$1,000 increments)

Important COLAs and Scheduled Increases

	2018	2019	2020
<p>Definition of Key Employee in Top-Heavy Plan</p> <p>Sec. 416(i)(1)(A)(i). A key employee is one who, during the prior year, was either (a) an officer with compensation in excess of the listed figure; (b) a 5% owner; or (c) a 1% owner with compensation over \$150,000. Family Attribution rules apply in determining if a person is a 5% owner.</p>	\$175,000	\$180,000	<p>\$185,000</p> <p>(Indexed in \$5,000 increments)</p>
<p>Annual Limit on Includible Compensation</p> <p>Secs. 401(a)(17), 404(l), 408(k)(3)(C) & 408(k)(6)(D)(ii). This is the maximum amount of compensation that can be taken into account when determining an individual contribution to or benefit under a qualified retirement plan.</p>	\$275,000	\$280,000	<p>\$285,000</p> <p>(Indexed in \$5,000 increments)</p>
<p>Highly Compensated Employee</p> <p>Sec. 414(q)(1)(B). Highly compensated employee is one who, during the prior year, was either (a) a 5% owner; or (b) had compensation above the <i>listed figure</i>. The dollar limitation under Sec. 416(i)(1)(A)(i) concerning definition of Key Employee in top-heavy plan for 2020 is \$185,000.</p>	\$120,000	\$125,000	<p>\$130,000</p> <p>(Indexed in \$5,000 increments)</p>
<p>Exclusion for Elective Deferrals for a 401(k), 403(b), SARSEP or Thrift Savings Plan</p> <p>Sec. 402(g). The indicated figure is the maximum salary reduction a participant can make.</p>	\$18,500	\$19,000	<p>\$19,500</p> <p>(Indexed in \$500 increments)</p>
<p>Age Based Catch up for a 401(k), 403(b), SARSEP or Thrift Savings Plan under Sec. 414(v)(2)(B)(i) for plan participants age 50 or over.</p>	\$6,000	\$6,000	<p>\$6,500</p>
<p>Maximum Elective Deferrals for a SIMPLE Plan</p> <p>Sec. 408(p)(2)(E). This is the maximum salary reduction a participant can take under a SIMPLE IRA or SIMPLE 401(k).</p>	\$12,500	\$13,000	<p>\$13,500</p> <p>(Indexed in \$500 increments)</p>
<p>Maximum 457 Salary Reduction</p> <p>Sec. 457(e)(15). Maximum deferral to nonqualified plans of state and local government and tax exempt orgs.</p>	\$18,500	\$19,000	<p>\$19,500</p> <p>(Indexed in \$500 increments)</p>

Important COLAs and Scheduled Increases

	2018	2019	2020
Part-time Employee Floor for a SEP Sec. 408(k)(2)(C). Employees who earn over the indicated limits must be included in a SEP if they are otherwise eligible.	\$600	\$600	\$600 (Indexed in \$50 increments)
ESOP Maximum Amount Sec. 409(o)(1)(C)(ii). Determining lengthening of 5-year distribution period.	\$220,000/ \$1,105,000	\$225,000/ \$1,130,000	\$230,000/ \$1,150,000 (Indexed for \$5,000 increments)
Deductible, Nondeductible, and Roth IRA Contribution Limits Sec. 219(b)(1)(A). This is the limit on how much can be contributed to an IRA.	\$5,500	\$6,000	\$6,000 (Indexed in \$500 increments)
IRA Catch-Up Provision for Individuals 50 or Older by year end Sec. 219(a)(5)(B). This is the amount that can be contributed for those 50 and older by year end. The catch-up is \$1,000 in 2020. The listed number is the total amount that can be contributed.	\$6,500	\$7,000	\$7,000 (Indexed in \$500 increments)

2020 IRA Phaseout Limits For Active Participants in a Qualified Plan Modified Adjusted Gross Income (MAGI)

Contributions to Traditional IRAs: Sec. 219(g)(3)(B)				
Filing Status	Phaseout of Deduction	2018	2019	2020
Married filing jointly	Begins	\$101,000	\$103,000	\$104,000
	Ends (i.e., no deduction)	\$121,000	\$123,000	\$124,000
Single & HOH	Begins	\$63,000	\$64,000	\$65,000
	Ends	\$73,000	\$74,000	\$75,000
Married Filing Separately	Begins	\$0	\$0	\$0
	Ends	\$10,000	\$10,000	\$10,000
Non-participant spouse	Begins	\$189,000	\$193,000	\$196,000
	Ends	\$199,000	\$203,000	\$206,000

What this means: If a single-filing taxpayer participates in a qualified plan at work and earns less than \$65,000 in 2020, he may use the full \$6,000 IRA deduction. Once he earns more than \$65,000, his deduction is phased out until he reaches \$75,000, at which point he would no longer be entitled to an IRA deduction.

Contributions to Roth IRAs: Sec. 408A(c)(3)				
<i>Filing Status</i>	<i>Phaseout of Contribution</i>	2018	2019	2020
Married filing jointly	Begins	\$189,000	\$193,000	\$196,000
	Ends (i.e. no contribution)	\$199,000	\$203,000	\$206,000
Single & HOH	Begins	\$120,000	\$122,000	\$124,000
	Ends	\$135,000	\$137,000	\$139,000
Married Filing Separately	Begins	\$0	\$0	\$0
	Ends	\$10,000	\$10,000	\$10,000

What this means: If a single-filing taxpayer has MAGI of less than \$124,000 in 2020, he may still contribute to a Roth IRA. Once MAGI is more than \$124,000, the amount he may contribute decreases until his income reaches \$139,000, at which point he would no longer be entitled to make a contribution.

2020 Social Security Tax Rates

	2018	2019	2020
Social Security Tax Rate These are the percentages the employer and employee are each taxed for Social Security purposes.	7.65% for employees	7.65% for employees	7.65% for employees
	7.65% for employers	7.65% for employers	7.65% for employers
Social Security Tax Rate (Self-Employed) This is the percentage at which a self-employed individual is taxed for Social Security purposes. 12.4% is for Social Security while 2.9% is for Medicare.	15.30%	15.30%	15.30%
Taxable Wage Base (Contribution and Benefit) This “earned income ceiling” is the maximum amount of covered earnings on which Social Security OASDI taxes is paid.	\$128,400	\$132,900	\$137,700
Medicare Special Wage Base This is the maximum amount of covered earnings on which Social Security hospital insurance taxes are paid.	No Limit	No Limit	No Limit

Note: The 7.65 percent employee rate is imposed on the taxable wage base of \$137,700 in 2020. Earnings in excess of the FICA wage base are assessed only the Medicare portion of FICA. In 2020, the **employee and employer portions** of the Medicare assessment are both **1.45** percent. For **self-employed taxpayers**, the combined tax is **2.9** percent.

High earners pay an additional 0.9 percent of Medicare tax on earnings in excess of the following thresholds:

	Threshold Amount
Married Filing Jointly	\$250,000
Married Filing Separately	\$125,000
Other Taxpayers	\$200,000

The 0.9 percent additional tax **applies only to the employee contribution** to Medicare. For **self-employed taxpayers over the threshold**, the combined Medicare tax in 2020 is 3.8 percent.

2020 Medicare Premiums

	2018	2019	2020
Medicare Part B			
Monthly Premium	\$134	\$135.50	\$144.60
Deductible	\$183	\$185	\$198
Medicare Part A			
Monthly Premium	\$422	\$437	\$458
Deductible	\$1,340	\$1,364	\$1,408

Medicare Part B

Medicare Part B enrollees with higher incomes also pay higher Part B premiums based on their incomes. The income-related Part B premiums for 2020 increased to **\$202.40, \$289.20, \$376.00, \$462.70, or \$491.60**, depending on the extent to which an individual beneficiary's income exceeds \$87,000 (or a married couple's income exceeds \$174,000).

The highest premium rates are only paid by the less than 1 percent of beneficiaries whose incomes are over \$500,000 (or \$750,000 for a married couple). A beneficiary who pays the highest income-related premium in 2020 would pay **\$5,899.20** per year in Part B premiums.

Medicare Part A

Medicare Part A is paid only by individuals who are not otherwise eligible for premium-free hospital insurance and have fewer than 40 quarters of Medicare-covered employment.

The Part A deductible is the beneficiary's only cost for up to 60 days of Medicare-covered inpatient hospital care in a benefit period. Beneficiaries must pay an additional **\$352** per day for days 61 through 90 in 2020, and **\$704** per day for hospital stays beyond the 90th day for lifetime reserve days. The daily coinsurance for the 21st through 100th day in a skilled nursing facility will be **\$176** in 2020.

2020 Medicare Premiums

	2018	2019	2020
Social Security Quarterly Earnings (minimum of 40 quarters required)	\$1,320	\$1,360	\$1,410

2020 Social Security Qualification

	2018	2019	2020
Social Security Quarterly Earnings (minimum of 40 quarters required)	\$1,320	\$1,360	\$1,410

2020 Social Security Benefits

Maximum Monthly Benefit (at full retirement age)	\$3,011 Per Month (Age 66)
Retirement Earnings Test Exempt Amount (under FRA): One dollar in benefits will be withheld for every two dollars in earnings above the limit prior to reaching FRA.	\$18,240 Per Year (\$1,520 Per Month)
Retirement Earnings Test Exempt Amount for months prior to FRA: One dollar in benefits will be withheld for every three dollars in earnings above the limit, but only for earnings before the month the taxpayer reaches FRA. There is no annual earnings limit for those who continue to work after reaching their FRA.	\$48,600 Per Year (\$4,050 Per Month)
Substantial Gainful Activity Threshold Limits	
Nonblind	\$1,260 Per Month
Blind	\$2,110 Per Month
SSI Federal Payment Amounts	
Individuals	\$783 Per Month
Couples	\$1,175 Per Month
SSI Resources Limits	
Individual	\$2,000
Couple	\$3,000
SSI Student Exclusion	
Monthly	\$1,900
Annually	\$7,670
Trial Work Period (TWP)	\$910 Per Month

Full Retirement Age (FRA): For retirees born between 1943 and 1954, FRA is 66. For those born after 1954 but before 1960, FRA gradually increases to age 67. For those born in 1960 and later, FRA is 67.

Substantial Gainful Activity: To be eligible for disability benefits, a person must be unable to engage in substantial gainful activity, meaning he may not earn more than a certain monthly amount.

2020 INCOME TAX RATE SCHEDULES

BUSINESS INCOME TAX RATES

C CORPORATION INCOME TAX RATES

Entity	Tax
Corporations	21% Flat rate

Note: Qualified Personal Services Corporations also pay the new flat rate of 21 percent on all taxable income.

PASS-THROUGH BUSINESSES

The TCJA creates a 20 percent business income deduction for businesses taxed as pass-through entities, including S corporations, partnerships, and proprietorships, if certain conditions are met. The full deduction is available for all pass-through businesses where taxable income is less than \$163,300 for a single taxpayer or \$326,600 for taxpayers filing joint returns.

The deduction may be limited or eliminated where taxable income is above the thresholds, depending on type of business, owner's compensation, and depreciable business property.

	Business is not a specified service	Business is a specified service
Taxable income less than or equal to \$163,300 (single) or \$326,600 (joint)	W-2 wage/basis limitations do not apply. Eligible for 20% deduction.	W-2 wage/basis limitations do not apply. Eligible for 20% deduction.
Taxable income greater than \$163,300 (single) or \$326,600 (joint) but less than \$213,300 (single) or \$426,600 (joint)	W-2 wage/basis limitations are phased in over the \$50,000/\$100,000 range	Applicable percentage of specified service income is eligible and W-2 wage/basis limitations are phased in over the \$50,000/\$100,000 range
Taxable income greater than \$213,300 (single) or \$426,600 (joint)	W-2 wage/basis limitations apply in full	Specified service income not eligible

ESTATES AND TRUSTS

Taxable Income	Tax
Not over \$2,600	10% of the taxable income
Over \$2,600 but not over \$9,450	\$260 plus 24% of the excess over \$2,600
Over \$9,450 but not over \$12,950	\$1,904 plus 35% of the excess over \$9,450
Over \$12,950	\$3,129 plus 37% of the excess over \$12,950

2020 PERSONAL INCOME TAX RATE SCHEDULES

MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES

Taxable Income	Tax
Not over \$19,750	10% of the taxable income
Over \$19,750 but not over \$80,250	\$1,975 plus 12% of the excess over \$19,750
Over \$80,250 but not over \$171,050	\$9,235 plus 22% of the excess over \$80,250
Over \$171,050 but not over \$326,600	\$29,211 plus 24% of the excess over \$171,050
Over \$326,600 but not over \$414,700	\$66,543 plus 32% of the excess over \$326,600
Over \$414,700 but not over \$622,050	\$94,735 plus 35% of the excess over \$414,700
Over \$622,050	\$167,307.50 plus 37% of the excess over \$622,050

HEADS OF HOUSEHOLDS

Taxable Income	Tax
Not over \$14,100	10% of the taxable income
Over \$14,100 but not over \$53,700	\$1,410 plus 12% of the excess over \$14,100
Over \$53,700 but not over \$85,500	\$6,162 plus 22% of the excess over \$53,700
Over \$85,500 but not over \$163,300	\$13,158 plus 24% of the excess over \$85,500
Over \$163,300 but not over \$207,350	\$31,830 plus 32% of the excess over \$163,300
Over \$207,350 but not over \$518,400	\$45,926 plus 35% of the excess over \$207,350
Over \$518,400	\$154,793.50 plus 37% of the excess over \$518,400

UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSE AND HEADS OF HOUSEHOLDS)

Taxable Income	Tax
Not over \$9,875	10% of the taxable income
Over \$9,875 but not over \$40,125	\$987.50 plus 12% of the excess over \$9,875
Over \$40,125 but not over \$85,525	\$4,617.50 plus 22% of the excess over \$40,125
Over \$85,525 but not over \$163,300	\$14,605.50 plus 24% of the excess over \$85,525
Over \$163,300 but not over \$207,350	\$33,271.50 plus 32% of the excess over \$163,300
Over \$207,350 but not over \$518,400	\$47,367.50 plus 35% of the excess over \$207,350
Over \$518,400	\$156,235 plus 37% of the excess over \$518,400

MARRIED INDIVIDUALS FILING SEPARATE RETURNS

Taxable Income	Tax
Not over \$9,875	10% of the taxable income
Over \$9,875 but not over \$40,125	\$987.50 plus 12% of the excess over \$9,875
Over \$40,125 but not over \$85,525	\$4,617.50 plus 22% of the excess over \$40,125
Over \$85,525 but not over \$163,300	\$14,605.50 plus 24% of the excess over \$85,525
Over \$163,300 but not over \$207,350	\$33,271.50 plus 32% of the excess over \$163,300
Over \$207,350 but not over \$311,025	\$47,367.50 plus 35% of the excess over \$207,350
Over \$311,025	\$83,653.75 plus 37% of the excess over \$311,025

2020 QUALIFIED DIVIDEND AND CAPITAL GAINS TAX RATES

Long-term Capital Gains and Qualified Dividend rates	2020
Taxable income below \$40,000 for single filers and married filing separate, joint filers below \$80,000, head of household filers below \$53,600, and estates below \$2,650	0%
Taxable income between \$40,000 and \$441,450 for single filers, between \$40,000 and \$248,300 for married filing separate, between \$80,000 and \$496,600 for joint filers, between \$53,600 and \$469,050 for head of household filers and between \$2,650 and \$13,150 for estates	15%
Taxable income at or above \$441,450 for single filers, at or above \$248,300 for married filing separate, at or above \$496,600 for joint filers, at or above \$469,050 for head of household filers, and at or above \$13,150 for estates	20%

Note: Because of the 3.8 percent Medicare surtax (discussed immediately following), the effective capital gains rates for taxpayers can reach up to 23.8 percent for taxpayers in the 37 percent bracket, and 18.8 percent for taxpayers in lower brackets.

2020 MEDICARE SURTAX

Note: A 3.8 percent surtax applies to the lesser of net investment income or modified adjusted gross income in excess of the following threshold amounts (dependent on filing status):

Filing Status	2019	2020
Married individuals filing jointly	\$250,000	\$250,000
Married filing separately	\$125,000	\$125,000
Individual taxpayers	\$200,000	\$200,000

2020 KIDDIE TAX

Note: The Tax Cuts and Jobs Act of 2017 changed the “kiddie tax.” Prior to the TCJA the kiddie tax brought a portion of a child’s unearned income into their parents’ respective tax brackets. The TCJA revamps the “kiddie tax” rules by subjecting a portion of the child’s unearned income to the trust tax brackets.

Net Unearned Income	2019	2020
Net unearned income subject to the kiddie tax equals unearned income minus the greater of <i>this amount</i> , or	\$2,200	\$2,200
The child’s itemized deductions (if applicable) plus <i>this amount</i> .	\$1,100	\$1,100
Eligibility for Parental Election		
For parents to elect to include the child’s income on their return, the child’s gross income from interest and dividends must exceed <i>this amount</i> ; and	\$1,100	\$1,100
Be less than <i>this amount</i> .	\$11,000	\$11,000
Impact of Parental Election		
Parents who elect to include the child’s income on their return must include in their gross income the child’s gross income minus <i>this amount</i> ; and	\$2,200	\$2,200
Must add to their tax the lesser of <i>this amount</i> ; or	\$110	\$110
10% of the excess of the child’s gross income over <i>this amount</i> .	\$1,100	\$1,100
Alternative Minimum Tax Exemption Amount		
The AMT exemption for a child subject to the kiddie tax is limited to the sum of the child’s earned income plus <i>this amount</i> .	\$7,750	\$7,900

Note: *Unearned income* generally means anything other than wages, salaries, professional fees, or any other amounts received as compensation for personal services actually rendered.

2020 STANDARD DEDUCTION

Basic Standard Deduction	2019	2020
Married individuals filing joint returns and surviving spouses	\$24,400	\$24,800
Heads of household	\$18,350	\$18,650
Unmarried individuals (other than surviving spouses and heads of households)	\$12,200	\$12,400
Married individuals filing separate returns	\$12,200	\$12,400
Additional standard deduction for the aged and the blind		
Unmarried and not surviving spouses	\$1,650	\$1,650
All others	\$1,300	\$1,300
Dependents: The standard deduction for a person claimed as a dependent by another is limited to greater of—		
(a) Earned income plus <i>this amount</i> ; or	\$350	\$350
(b) <i>This amount</i> .	\$1,100	\$1,100

2020 ITEMIZED MEDICAL DEDUCTION THRESHOLD

Note: The TCJA retroactively changed the medical expense deduction floor for 2017. Taxpayers can only deduct the out of pocket amount that exceeds the floor. Prior to the TCJA, taxpayers younger than age 65 had to have medical expenses in excess of 10% of their AGI in order to deduct. The TCJA retroactively reduced the percentage of AGI to 7.5% for all taxpayers in 2018. For 2020, the threshold for the medical expense deduction is 10 percent for taxpayers of all ages.

Medical expenses are deductible above the percentage of AGI threshold for itemizing taxpayers	2019	2020
Taxpayers younger than 65	10%	10%
Taxpayers 65 and older	10%	10%

2020 CHILD CREDIT AND ADOPTION

	2019	2020
Threshold amount: Used in computing the refundable portion of the child credit (this amount is subtracted from earned income; if there is an excess, a percentage of it is added to the overall credit limitation for purposes of computing a hypothetical credit which is used to compute the refundable portion of the child credit). Sec. 24(d)(1)(B)(i).	\$1,400	\$1,400
Adoption Credit (Sec. 23)		
Adoption credit for child with special needs	\$14,080	\$14,300
Adoption credit for qualified adoption expenses of other children	\$14,080	\$14,300
Phaseout of adoption credit begins with modified AGI of	\$211,160	\$214,520
Complete phaseout of adoption credit with modified AGI of	\$251,160	\$254,520
Exclusion from income in connection with employer-provided assistance in the adoption of child with special needs (Sec. 132)	\$14,080	\$14,300
Exclusion from income for qualified adoption expenses in connection with employer-provided assistance in the adoption of other children	\$14,080	\$14,300
Phaseout of exclusion begins with modified AGI of	\$211,160	\$214,520
Complete phaseout of exclusion with modified AGI of	\$251,160	\$254,520

2020 EARNED INCOME CREDIT

Earned Income Credit (Sec. 32)	2018	2019	2020
Credit denied if investment income exceeds	\$3,500	\$3,600	\$3,650
Taxpayers with three or more children			
Earned income amount	\$14,290	\$14,570	\$14,800
Maximum credit amount	\$6,431	\$6,557	\$6,660
Threshold phase-out amount: joint returns	\$24,350	\$24,820	\$25,220
Threshold phase-out amount: other returns	\$18,660	\$19,030	\$19,330
Completed phase-out amount: joint returns	\$54,884	\$55,952	\$56,844
Completed phase-out amount: other returns	\$49,194	\$50,162	\$50,954

Taxpayers with two children			
Earned income amount	\$14,290	\$14,570	\$14,800
Maximum credit amount	\$5,716	\$5,828	\$5,920
Threshold phase-out amount: joint returns	\$24,350	\$24,820	\$25,220
Threshold phase-out amount: other returns	\$18,660	\$19,030	\$19,330
Completed phase-out amount: joint returns	\$51,492	\$52,493	\$53,330
Completed phase-out amount: other returns	\$45,802	\$46,703	\$47,440
Taxpayers with one child			
Earned income amount	\$10,180	\$10,370	\$10,540
Maximum credit amount	\$3,461	\$3,526	\$3,584
Threshold phase-out amount: joint returns	\$24,350	\$24,820	\$25,220
Threshold phase-out amount: other returns	\$18,660	\$19,030	\$19,330
Completed phase-out amount: joint returns	\$46,010	\$46,884	\$47,646
Completed phase-out amount: other returns	\$40,320	\$41,094	\$41,756
Taxpayers with no children			
Earned income amount	\$6,780	\$6,920	\$7,030
Maximum credit amount	\$519	\$529	\$538
Threshold phase-out amount: joint returns	\$14,170	\$14,450	\$14,680
Threshold phase-out amount: other returns	\$8,490	\$8,650	\$8,790
Completed phase-out amount: joint returns	\$20,950	\$21,370	\$21,710
Completed phase-out amount: other returns	\$15,270	\$15,570	\$15,820

Limitation on exclusion of income from U.S. savings bonds for taxpayers who pay qualified higher education expenses (Sec. 135)	2019	2020
Married individuals filing joint returns and surviving spouses—threshold amount for beginning phaseout	\$121,600	\$123,550
Exemption fully phased out	\$151,600	\$153,550
All others—threshold amount for beginning phaseout	\$81,100	\$82,350
Exemption fully phased out	\$96,100	\$97,350

2020 SAVINGS BOND EXCLUSION

2020 EDUCATION CREDITS & DEDUCTIONS

	2019	2020
Hope Scholarship credit is 100% for qualified expenses up to:	\$2,000	\$2,000
Hope credit is 25% for qualified expenses up to the next:	\$2,000	\$2,000
Phase-out floor for Lifetime learning credits		
Joint returns	\$116,000	\$118,000
All other returns	\$58,000	\$59,000
Phase-out floor for Hope Scholarship credit		
Joint returns	\$160,000	\$160,000
All other returns	\$80,000	\$80,000
Maximum interest deduction for education loans (Sec. 221)		
<i>Married filing jointly</i>	\$2,500	\$2,500
Reduction begins when adjusted gross income exceeds	\$140,000	\$140,000
Complete elimination of deduction when AGI exceeds	\$170,000	\$170,000
<i>All other taxpayers</i>	\$2,500	\$2,500
Reduction begins when adjusted gross income exceeds	\$70,000	\$70,000
Complete elimination of deduction when AGI exceeds	\$85,000	\$85,000

2020 SECTION 179 EXPENSE LIMITS

	2018	2019	2020
Limitation on aggregate cost of Sec. 179 property that taxpayer may elect to expense	\$1,000,000	\$1,020,000	\$1,040,000
Reduction for Sec. 179 property in excess of this amount	\$2,500,000	\$2,550,000	\$2,590,000

2020 AUTOMOBILE MILEAGE RATES (CENTS PER MILE)

Purpose	2018	2019	2020
Standard business use rate	54.5	58	57.5
Charitable use rate	14	14	14
Medical use rate	18	20	17
Moving expense rate	18	20	17

2020 GIFT & ESTATE PLANNING AMOUNTS

	2019	2020
Annual Gift Tax Exclusion (Sec. 2503)	\$15,000	\$15,000
Basic Exclusion Amount for Unified Credit (Sec. 2010)	\$11,400,000	\$11,580,000
Dollar Amount Used to Compute “2 Percent” Portion of Estate Tax Payable in Installments Calculation (Sec. 6601(j))	\$1,550,000	\$1,570,000
Special Use Qualified Real Property Value Reduction Limit (Sec. 2032A)	\$1,160,000	\$1,180,000
Super Exclusion for Present Interest Gifts from Citizen to Noncitizen Spouses (Secs. 2503 & 2523(i)(2))	\$155,000	\$157,000
Notice of Large Gifts from Foreign Persons (Sec. 6039F) Gifts and bequests received from foreign persons exceeding this amount must be reported	\$16,388	\$16,649

2020 TRANSPORTATION BENEFITS

Qualified Transportation	2019	2020
Monthly exclusion limit for the aggregate of commuter highway vehicle transportation and transit pass	\$265	\$270
Monthly exclusion limit for qualified parking	\$265	\$270
Passenger Air Transportation Excise Tax Sec. 4261(b). On amounts paid for each domestic segment of taxable transportation by air.	\$4.20	\$4.30
Passenger Air Transportation Excise Tax Sec. 4261(c). On amounts paid for international air transportation that begins or ends within the United States (other than Alaska or Hawaii).	\$18.60	\$18.90
Passenger Air Transportation Excise Tax Sec. 4261(c)(3). On domestic segments that begin or end in Alaska or Hawaii	\$9.30	\$9.50

2020 INSUBSTANTIAL BENEFITS—CHARITABLE CONTRIBUTIONS

	2019	2020
Unrelated Trade or Business Exception for low-cost articles	\$11.10	\$11.20
Donor Benefit Reporting Not Required if three conditions are met:		
(1) Gift to charity is worth at least	\$55.50	\$56
(2) Charity distributes free article not ordered by donor which costs charity no more than	\$11.10	\$11.20
(3) Benefit received by donor is no more than the lesser of 2% of donor’s contribution, or this amount	\$111	\$112

Note: Rev. Proc. 90-12, 1990-1 CB 471 provides: “These guidelines describe a safe harbor; depending on the facts in each case, benefits received in connection with contributions may be ‘insubstantial’ even if they do not meet these guidelines.”

Note: A donor must have a written receipt in hand to claim a charitable deduction of **\$250** or more. That receipt must be in the donor’s possession *before* the due date for filing his/her income tax return (plus any extensions). If the gift to charity is over **\$75**, and the donor received or became entitled to a tangible benefit, the charity must inform the donor that the deduction is limited to the excess of any money and value of other property received over the value of the goods and services the charity provides. The charity must also provide a good faith estimate of the value of such goods and/or services.

2020 FOREIGN EARNED INCOME

	2019	2020
Limitation under Sec. 911(b)(2)(D)(i)	\$105,900	\$107,600

2020 LOBBYING

	2019	2020
Annual per person, family, or entity dues limitation to qualify for the reporting exception under Sec. 6033(e)(3) (and Sec. 5.05 of Rev. Proc. 98-19, 1998-1 C.B. 547) for certain exempt organizations with nondeductible lobbying expenses.	\$117	\$119

2020 MEDICAL SAVINGS ACCOUNTS

	2019	2020
Self-Only Coverage		
Annual deductible is not less than	\$2,350	\$2,350
Annual deductible is not more than	\$3,500	\$3,550
Annual out-of-pocket expenses (other than premiums) for covered benefits does not exceed	\$4,650	\$4,750
Family Coverage		
Annual deductible is not less than	\$4,650	\$4,750
Annual deductible is not more than	\$7,000	\$7,100
Annual out-of-pocket expenses (other than premiums) for covered benefits does not exceed	\$8,550	\$8,650

2020 HEALTH SAVINGS ACCOUNTS

	2019	2020
Individual Coverage		
Monthly contribution limitation is 1/12 of the lesser of the annual deductible or	\$3,500	\$3,550
High-deductible health plan deductible is not less than	\$1,350	\$1,400
High-deductible health plan limit on annual out-of-pocket expenses (other than premiums)	\$6,750	\$6,900
Family Coverage		
Monthly contribution limitation is 1/12 of the lesser of the annual deductible or	\$7,000	\$7,100
High-deductible health plan deductible is not less than	\$2,700	\$2,800
High-deductible health plan limit on annual out-of-pocket expenses (other than premiums)	\$13,500	\$13,800
Additional Contributions for individuals age 55 and older	\$1,000	\$1,000

2020 Personal Penalty for Failure to Maintain Health Insurance

The Affordable Care Act imposes a penalty on taxpayers that can afford health insurance but do not purchase it. The penalty is calculated as a percentage of income or on a per-person basis. Uninsured taxpayers are penalized whichever amount is higher. In 2020, the penalty is scheduled to be reduced to zero.

2020 LONG-TERM CARE INSURANCE

	2019	2020
Per-diem limitation for periodic payments received under qualified long-term care insurance contract or life insurance contract periodic payments treated as paid by reason of death of chronically ill individual under Sec. 7702B(d)(4).	\$370	\$380

Note: The per-diem limitation for periodic payments received under a qualified long-term care insurance or life insurance contract is the amount the insured may exclude from gross income. Sec. 7702B(d)(4); 101(a).

2020 DEDUCTIBLE LONG-TERM CARE PREMIUMS

Attained Age Before the Close of the Taxable Year	2019	2020
40 or less	\$420	\$430
More than 40 but not more than 50	\$790	\$810
More than 50 but not more than 60	\$1,580	\$1,630
More than 60 but not more than 70	\$4,220	\$4,350
More than 70	\$5,270	\$5,430

2020 EXPATRIATION

Note: A covered expatriate is subject to U.S. federal income tax on the net unrealized gain in his or her property as if the property had been sold for its fair market value on the day before the expatriation or termination of U.S. residency. **Sec. 877A.**

The expatriation tax applies if:	2019	2020
(1) The individual's average annual net income tax for the 5-year period preceding the citizenship loss exceeds this amount; or	\$168,000	\$171,000
(2) The individual's net worth on the date of the citizenship loss equals or exceeds this amount	\$2,000,000	\$2,000,000
Income Reduction: A covered expatriate's gross income is reduced by <i>this amount</i> .	\$725,000	\$737,000



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**KEY 2020 PENSION,
EMPLOYEE BENEFIT,
AND TAX NUMBERS**

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