John Hancock Investment Management

2020 tax planning guide

Tax brackets for 2020

Married, filing jointly

$0–$19,750	10.0%
$19,751–$80,250	12.0%
$80,251–$171,050	22.0%
$171,051–$326,600	24.0%
$326,601–$414,700	32.0%
$414,701–$622,050	35.0%
Over $622,050	37.0%

Single

$0–$9,875	10.0%
$9,876–$40,125	12.0%
$40,126–$85,525	22.0%
$85,526–$163,300	24.0%
$163,301–$207,350	32.0%
$207,351–$518,400	35.0%
Over $518,400	37.0%

Married, filing separately

$0–$9,875	10.0%
$9,876–$40,125	12.0%
$40,126–$85,525	22.0%
$85,526–$163,300	24.0%
$163,301–$207,350	32.0%
$207,351–$311,025	35.0%
Over $311,025	37.0%

Head of household

$0–$14,100	10.0%
$14,101–$53,700	12.0%
$53,701–$85,500	22.0%
$85,501–$163,300	24.0%
$163,301–$207,350	32.0%
$207,351–$518,400	35.0%
Over $518,400	37.0%

Estates and trusts

$0–$2,600	10.0%
$2,601–$9,450	24.0%
$9,451–$12,950	35.0%
Over $12,950	37.0%

Long-term capital gains/ qualified dividend rates

0.0% rate when taxable income is below:

Married, filing jointly	$80,000
Married, filing separately	$40,000
Head of household	$53,600
Single	$40,000
Estate and trust	$2,650

15.0% rate when taxable income is below:

Married, filing jointly	$496,600
Married, filing separately	$248,300
Head of household	$469,050
Single	$441,450
Estate and trust	$13,150

20.0% rate applies to higher taxable income amounts

28.0% rate applies to capital gains on collectibles

Standard deduction

Married,filing jointly	$24,800
Single	$12,400
Married, filing separately	$12,400
Head of household	$18,650

Blind or over 65: additional $1,300 if married; $1,650 if single or head of household.

Capital loss limit

Married,filing jointly	$3,000
Single	$3,000
Married, filing separately	$1,500

If your capital loss exceeds your capital gains.

Estate and gift tax

Transfer tax rate (maximum)	40%
Estate tax exemption	$11,580,000
Gift tax exemption	$11,580,000
Generation-skipping transfer tax exemption	$11,580,000
Annual gift tax exclusion amount	$15,000

Education

529 plan contributions, per individual	$15,000 per yr. before a gift tax
529 plan contributions, per couple	$30,000 per yr. before a gift tax
Accelerate 5 years of gifting into 1 year per individual	$75,000
Per couple	$150,000

Lifetime learning credits

Maximum credit	$2,000
Phaseout—single	$59,000–$69,000 MAGI[1]
Phaseout—joint	$118,000–$138,000 MAGI[1]

Coverdell Education Savings Account

Contribution	$2,000
Phaseout—single	$95,000–$110,000 MAGI[1]
Phaseout—joint	$190,000–$220,000 MAGI[1]

Student loan interest

Deduction limit	$2,500
Phaseout—single	$70,000–$85,000 MAGI[1]
Phaseout—joint	$140,000–$170,000 MAGI[1]

Phaseout of tax-free savings bonds interest

Single	$82,350–$97,350 MAGI[1]
Joint	$123,550–$153,550 MAGI[1]

American opportunity tax credit

Maximum credit	$2,500
Phaseout—single	$80,000–$90,000 MAGI[1]
Phaseout—joint	$160,000–$180,000 MAGI[1]

Kiddie tax

Earned income is taxed at single tax bracket rates.

Legislation enacted in December 2019 taxes net unearned income at the rates of the child's parents, rather than at estates and trusts rates, for tax years beginning after 2019.

Retirement

IRA and Roth IRA contributions

Under age 50	$6,000
Aged 50 and over	$7,000

Phaseout for deducting IRA contributions

(for qualified plan participants)

Married, filing jointly	$104,000–$124,000 MAGI[1]
Single or head of household	$65,000–$75,000 MAGI[1]
Married, filing jointly[2]	$196,000–$206,000 MAGI[1]

Phaseout of Roth contribution eligibility

Joint	$196,000–$206,000 MAGI[1]
Single	$124,000–$139,000 MAGI[1]
Married, filing separately	$0–$10,000 MAGI[1]

SEP contribution

Up to 25% of compensation	Limit $57,000
To participate in SEP	$600

SIMPLE elective deferral

Under age 50	$13,500
Aged 50 and over	$16,500

Qualified plan contributions

401(k), 403(b), 457, and SARSEP	$19,500
Aged 50 and over	$26,000
Limit on additions to defined contribution plan	$57,000
Annual benefit limit on defined benefit plan	$230,000
Highly compensated employee makes	$130,000
Annual compensation taken into account for qualified plans	$285,000

1 Modified adjusted gross income. **2** Phaseout limit for spouse who is not a participant in a qualified plan.

The SECURE Act and the CARES Act–key changes affecting retirement and education savings

The December 2019 enactment of the Setting Every Community Up for Retirement Enhancement Act—better known as the SECURE Act—and the March 2020 enactment of the Coronavirus Aid, Relief, and Economic Security (CARES) Act produced significant changes to the nation's retirement laws. Key tax-related changes are highlighted below.

For more information, please visit irs.gov or go to the John Hancock Investment Management Tax Center at jhinvestments.com/tax-center.

Key provisions of the SECURE Act and the CARES Act

Age for required minimum distributions from retirement accounts is increased

The age at which an individual must begin taking required minimum distributions (RMDs) from traditional IRAs and qualified tax-deferred accounts was increased from 70½ to 72. This change only applies to those who reach 70½ after 2019 (i.e., individuals born after June 30, 1949); those who reached 70½ in 2019 or earlier are unaffected.

Age restriction on traditional IRA contributions is eliminated

A restriction that had previously barred contributions to a traditional IRA starting in the year in which the account holder reached 70½ was removed. Effective in 2020, contributions can be made beyond the age of 70½, provided the account holder continues to have earned income.

Retirement plan withdrawal allowance for new parents

An individual is now permitted to withdraw up to $5,000—or up to $10,000 for a couple—from a qualified retirement plan or IRA upon the birth or adoption of a child without incurring an early withdrawal penalty tax. In addition, such distributions can be recontributed beyond the normal 60-day window for indirect rollovers.

New restrictions on inherited retirement plan accounts

Previously, individual beneficiaries who inherited IRAs and qualified tax-deferred accounts could extend annual RMDs over their lifetimes. This approach has been known in the industry as a stretch account, often done through an inherited IRA, because the benefits from tax-deferred growth of the remaining account balance, minus RMDs, could be stretched out for decades. Beginning with deaths occurring in 2020, most individual beneficiaries must withdraw the full account within 10 years after the original account owner's death. Only certain beneficiaries, such as a surviving spouse, can still stretch RMDs over their life expectancy.

529 accounts may be used to pay down student loan debt

Owners of 529 education savings accounts are now permitted to withdraw up to $10,000 tax free to pay off qualified student loans as well as use 529 assets to pay for qualified apprenticeship programs. Any student loan interest paid for with tax-free 529 plan earnings is not eligible for the student loan interest deduction.[3]

Special coronavirus distribution rules for IRAs and qualified plans

Distributions related to the public health crisis created by the coronavirus pandemic and made by December 30, 2020, are allowed up to a $100,000 maximum without being subject to the additional 10% early withdrawal penalty on distributions prior to age 59½. In addition, income taxes paid on these distributions can be spread over three years, and the distributions can be recontributed.

Required minimum distributions[4]

The Uniform Lifetime Table can be used by all IRA owners, starting at age 70, unless their sole beneficiary for the entire year is a spouse who is more than 10 years younger. Then the Joint Life Expectancy Table is used (see IRS Pub. 590), which could reduce the required minimum distribution even further.

Uniform Lifetime Table*

Age of account owner	Divisor	Age of account owner	Divisor
70	27.4	81	17.9
71	26.5	82	17.1
72	25.6	83	16.3
73	24.7	84	15.5
74	23.8	85	14.8
75	22.9	86	14.1
76	22.0	87	13.4
77	21.2	88	12.7
78	20.3	89	12.0
79	19.5	90	11.4
80	18.7		

*The table progresses until the divisor becomes 1.9 for ages 115 and higher.

3 Consult your financial, tax, or other advisor to learn how state-based benefits (including any limitations) would apply to your specific circumstances. Some states do not consider 529 withdrawals for primary and secondary school education, student loan repayments, and apprenticeship costs to be qualified withdrawals and, therefore, the investor may be subject to penalties. **4** The CARES Act waived the requirement to take required minimum distributions from defined contribution plans, 403(a) plans, 403(b) contracts, 457 governmental plans, and IRAs for 2020.

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