

Here's everything you need to know about your 2020 taxes

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Key Points

- The IRS increased the standard deduction to \$12,400 for single filers and \$24,800 for married couples filing jointly.
- An individual can transfer up to \$11.58 million without being subject to the 40% federal estate and gift tax, up from \$11.4 million in 2019.
- You can save more money in your 401(k) and in your health savings account, too.



Get out your pencils and calculators: The IRS has released a breakdown of what's ahead for the 2020 tax year.

Taxpayers who've been paying close attention will notice that the Tax Cuts and Jobs Act overhauled the tax code.

Those sweeping changes include a higher standard deduction — it's now \$12,400 for singles and \$24,800 for married joint filers in 2020. Following the overhaul, individual income tax rates also went down, and personal exemptions were eliminated.

For the 2020 tax year, the IRS tweaked the [individual income tax brackets](#), adjusting them for inflation.

See below for your new bracket.

2020 tax brackets

Indiv. Income Tax Rates	Single	Married Filing Jointly	Head of Household
10 percent	0 to \$9,875	0 to \$19,750	0 to \$14,100
12 percent	\$9,876 to \$40,125	\$19,751 to \$80,250	\$14,101 to \$53,700
22 percent	\$40,126 to \$85,525	\$80,251 to \$171,050	\$53,701 to \$85,500
24 percent	\$85,526 to \$163,300	\$171,051 to \$326,600	\$85,501 to \$163,300
32 percent	\$163,301 to \$207,350	\$326,601 to \$414,700	\$163,301 to \$207,350
35 percent	\$207,351 to \$518,400	\$414,701 to \$622,050	\$207,351 to \$518,400
37 percent	\$518,401 and up	\$622,051 and up	\$518,401 and up

SOURCE: IRS



The additional standard deduction for older taxpayers and those who are blind are still available.

Filers who are blind or aged 65 and over can claim \$1,300. Two married filers who are both over 65 can claim \$2,600, unchanged from 2019.

Single filers who are blind or over 65 are eligible for a \$1,650 additional standard deduction. This is up \$50 from 2019.

The taxman is also allowing you to save a few more dollars in 2020.

The IRS has raised the employee contribution limit for 401(k), 403(b) and most 457 plans to \$19,500, up from \$19,000 in 2019.

If you're 50 or older, you can sock away another \$6,500 in that workplace retirement plan. That's up from \$6,000 in 2019.

The contribution limit for [individual retirement accounts](#), whether traditional or Roth, is holding steady at \$6,000, plus another \$1,000 for savers 50 and over.

The IRS limits high-income earners' ability to make direct contributions to Roth IRAs — accounts in which you can save after-tax dollars, have the money grow tax-free and use it in retirement free of taxes.

In 2020, if your adjusted gross income exceeds \$124,000 and you're single (\$196,000 for married couples filing jointly), you won't be able to make a full contribution directly to a Roth IRA.

Instead, those savers might consider using a strategy known as the "backdoor Roth," where they make a nondeductible contribution with after-tax dollars to a traditional IRA and then convert it to a Roth.

Here's how to get the most tax benefits out of a health savings account

If you choose a high-deductible plan during open enrollment season, you might have access to a health savings account.

These accounts allow you to put away pretax or tax-deductible money and have it grow free of taxes. You can take a tax-free withdrawal to cover qualified health expenses.

In 2020, you can save up to \$3,550 if you're an individual with self-only health coverage. That's up from \$3,500 in 2019. Account holders with family plans can save up to \$7,100 in this account (up from \$7,000 in 2019).

HSAs differ from [health-care flexible spending accounts](#) primarily in that you can roll over the HSA balance from one year to the next.

Health-care FSAs generally must be used by the end of the plan year.

The IRS also bumped up the amount you can save in a health-care FSA: It will be \$2,750 in 2020, up from \$2,700 in 2019.

The Tax Cuts and Jobs Act also nearly doubled the amount that decedents could bequeath in death — or gift over their lifetime — and shield it from federal estate and gift taxes, which are 40%.

Before the tax overhaul, this so-called gift and estate tax exemption was \$5.49 million per person.

For 2020, the lifetime gift and estate tax exemption will be \$11.58 million per individual, up from \$11.4 million in 2019.

Finally, the annual gift exclusion — the amount you can give to any other person without it counting against your lifetime exemption — will hold steady at \$15,000 for 2020.