



# TaxNewsFlash

United States



No. 2019-531  
November 6, 2019

## Rev. Proc. 2019-44: Inflation adjustments for 2020, individual taxpayers

The IRS today released an advance version of Rev. Proc. 2019-44 providing the annual inflation adjustments for more than 60 tax provisions to be used by individual taxpayers on their 2020 returns (that is, the returns that are generally filed in 2021).

[Rev. Proc. 2019-44](#) [PDF 100 KB] provides the tax rate schedules and other tax amounts as adjusted for inflation, and addresses changes enacted by the *Taxpayer First Act of 2019* (Pub. L. No. 116-25, enacted July 1, 2019). Read a related IRS release—[IR-2019-180](#) (November 6, 2019).

### Increased failure to file penalty

The tax law change covered in Rev. Proc. 2019-44 was added by the *Taxpayer First Act of 2019*, which increased the failure to file penalty to \$330 (up from \$205) for returns not filed within 60 days of their due date (determined with regard to any extensions of time for filing). The increased penalty amount of \$330 applies to returns due after the end of 2019, and the amount will be adjusted for inflation beginning with tax year 2021.

As such, the failure to file penalty for returns due after December 31, 2019, that are not filed within 60 days of their due date will not be less than the lesser of: (1) \$330 (amount will be adjusted for inflation beginning with tax year 2021); or (2) 100% of the amount required to be shown as tax on such returns.

### Tax rates for individual taxpayers, adjusted for inflation

With the inflation adjustment, Rev. Proc. 2019-44 provides that for tax year 2020:

- The top income tax rate will be 37% for individual single taxpayers with incomes greater than \$518,400 and for married couples filing jointly is \$622,050.
- The other income tax rates will be:
  - 35% for incomes over \$207,350 (\$414,700 for married couples filing jointly)

- 32% for incomes over \$163,300 (\$326,600 for married couples filing jointly)
- 24% for incomes over \$85,525 (\$171,050 for married couples filing jointly)
- 22% for incomes over \$40,125 (\$80,250 for married couples filing jointly)
- 12% for incomes over \$9,875 (\$19,750 for married couples filing jointly)
- The lowest rate will be 10% for single individuals with incomes of \$9,875 or less (\$19,750 for married couples filing jointly)

### **Standard deduction**

The standard deduction amounts for 2020 will be increased, as follows:

- For married filing jointly—\$24,800 (an increase of \$400 from the prior year)
- For single taxpayers and married individuals filing separately—\$12,400 (up by \$200)
- For heads of households—\$18,650 (an increase of \$300)

The personal exemption for tax year 2020 remains at \$0 (the personal exemption was suspended for tax years 2018 through 2025 by the U.S. tax law enacted in 2017 (the law that is often referred to as the “Tax Cuts and Jobs Act” or TCJA).

For 2020, there is no limitation on overall itemized deductions (referred to as the “Pease” limitation under prior law) because that limitation was also suspended by the TCJA for years 2018-2025.

### **Other items**

- The alternative minimum tax (AMT) exemption amount is increased\* for tax year 2020 to \$72,900 and begins to phase out at \$518,400—for married couples filing jointly, the AMT exemption amount will be \$113,400, and the exemption begins to phase out at \$1,036,800.

\*For 2019, the AMT exemption amount was \$71,700 and began to phase out at \$510,300 (\$111,700 for married couples filing jointly and began to phase out at \$1,020,600).

- The qualified transportation fringe benefit for tax year 2020 will have a monthly limitation of \$270 for qualified parking (up from \$265 for tax year 2019).
- The adjusted gross income amount used by joint filers to determine the reduction in the Lifetime Learning Credit for 2020 is \$118,000 (up from \$116,000 for 2019).
- The foreign earned income exclusion for 2020 is \$107,600 (up from \$105,900 for 2019).
- The maximum credit allowed for adoptions is the amount of qualified adoption expenses up to \$14,300 (up from \$14,080 for 2019).

### **Estate and gift exclusions**

- The basic exclusion amount for estates of decedents who die during 2020 is \$11,580,000 (up from \$11,400,000 for estates of decedents who died in 2019).
- The annual exclusion for gifts is \$15,000 for calendar year 2020—the same as for 2019.

## Medical and health-related amounts

- The dollar limitation for employee salary reductions for contributions to health flexible spending arrangements (FSA) is increased to \$2,750 (up \$50 from 2019).
- Concerning medical savings accounts (MSAs), for tax year 2020, participants who have self-only coverage in a MSA, the plan must have an annual deductible that is not less than \$2,350 (the same as for tax year 2019), but not more than \$3,550 (up \$50 from 2019).
  - For self-only coverage, the maximum out-of-pocket expense amount is \$4,750 (up \$100 from 2019).
  - Participants with family coverage, for 2020, the floor for the annual deductible is \$4,750 (up from \$4,650 in 2019); however, the deductible cannot be more than \$7,100 (up \$100 from the limit for 2019).
  - For family coverage, the out-of-pocket expense limit is \$8,650 for tax year 2020 (up \$100 from tax year 2019).

The IRS today also released a notice providing cost of living adjustments and dollar limitations for qualified retirement plans for tax year 2020. Read [TaxNewsFlash](#)

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