

2020 Tax Brackets

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On a yearly basis the IRS adjusts more than 40 tax provisions for inflation. This is done to prevent what is called “bracket creep,” when people are pushed into higher income tax brackets or have reduced value from credits and deductions due to inflation, instead of any increase in real income.

The IRS used to use the Consumer Price Index (CPI) to calculate the past year’s inflation.¹ However, with the Tax Cuts and Jobs Act of 2017, the IRS will now use the Chained Consumer Price Index (C-CPI) to adjust income thresholds, deduction amounts, and credit values accordingly.²

Income Tax Brackets and Rates

In 2020, the income limits for all tax brackets and all filers will be adjusted for inflation and will be as follows (Table 1). The top marginal income tax rate of 37 percent will hit taxpayers with taxable income of \$518,400 and higher for single filers and \$622,050 and higher for married couples filing jointly.

TABLE 1.
Tax Brackets and Rates, 2020

Rate	For Single Individuals, Taxable Income Over	For Married Individuals Filing Joint Returns, Taxable Income Over	For Heads of Households, Taxable Income Over
10%	\$0	\$0	\$0
12%	\$9,875	\$19,750	\$14,100
22%	\$40,125	\$80,250	\$53,700
24%	\$85,525	\$171,050	\$85,500
32%	\$163,300	\$326,600	\$163,300
35%	\$207,350	\$414,700	\$207,350
37%	\$518,400	\$622,050	\$518,400

Source: Internal Revenue Service

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1 Internal Revenue Service, “Revenue Proc. 2019-44,” <https://www.irs.gov/pub/irs-drop/rp-19-44.pdf>.

2 Robert Cage, John Greenlees, and Patrick Jackman, “Introducing the Chained Consumer Price Index,” U.S. Bureau of Labor Statistics, May 2003, <https://www.bls.gov/cpi/additional-resources/chained-cpi-introduction.pdf>.

Standard Deduction and Personal Exemption

The standard deduction for single filers will increase by \$200, and by \$400 for married couples filing jointly (Table 2).

The personal exemption for 2020 remains eliminated.

TABLE 2.
2020 Standard Deduction

Filing Status	Deduction Amount
Single	\$12,400
Married Filing Jointly	\$24,800
Head of Household	\$18,650

Source: Internal Revenue Service

Alternative Minimum Tax

The Alternative Minimum Tax (AMT) was created in the 1960s to prevent high-income taxpayers from avoiding the individual income tax. This parallel tax income system requires high-income taxpayers to calculate their tax bill twice: once under the ordinary income tax system and again under the AMT. The taxpayer then needs to pay the higher of the two.

The AMT uses an alternative definition of taxable income called Alternative Minimum Taxable Income (AMTI). To prevent low- and middle-income taxpayers from being subjected to the AMT, taxpayers are allowed to exempt a significant amount of their income from AMTI. However, this exemption phases out for high-income taxpayers. The AMT is levied at two rates: 26 percent and 28 percent.

The AMT exemption amount for 2020 is \$72,900 for singles and \$113,400 for married couples filing jointly (Table 3).

TABLE 3.
2020 Alternative Minimum Tax Exemptions

Filing Status	Exemption Amount
Single Individuals	\$72,900
Married Filing Jointly	\$113,400

Source: Internal Revenue Service

In 2020, the 28 percent AMT rate applies to excess AMTI of \$197,900 for all taxpayers (\$98,950 for married couples filing separate returns).

AMT exemptions phase out at 25 cents per dollar earned once taxpayer AMTI hits a certain threshold. In 2020, the exemption will start phasing out at \$518,400 in AMTI for single filers and \$1,036,800 for married taxpayers filing jointly (Table 4).

TABLE 4.

2020 Alternative Minimum Tax Exemption Phaseout Thresholds

Filing Status	Threshold
Single Individuals	\$518,400
Married Filing Jointly	\$1,036,800

Source: Internal Revenue Service

Earned Income Tax Credit

The maximum Earned Income Tax Credit in 2020 for single and joint filers is \$538, if there are no children (Table 5). The maximum credit is \$3,584 for one child, \$5,920 for two children, and \$6,660 for three or more children. All these are relatively small increases from 2019.

TABLE 5.

2020 Earned Income Tax Credit Parameters

Filing Status		No Children	One Child	Two Children	Three or More Children
Single or Head of Household	Income at Max Credit	\$7,030	\$10,540	\$14,800	\$14,800
	Maximum Credit	\$538	\$3,584	\$5,920	\$6,660
	Phaseout Begins	\$8,790	\$19,330	\$19,330	\$19,330
	Phaseout Ends (Credit Equals Zero)	\$15,820	\$41,756	\$47,440	\$50,954
Married Filing Jointly	Income at Max Credit	\$7,030	\$10,540	\$14,800	\$14,800
	Maximum Credit	\$538	\$3,584	\$5,920	\$6,660
	Phaseout Begins	\$14,680	\$25,220	\$25,220	\$25,220
	Phaseout Ends (Credit Equals Zero)	\$21,710	\$47,646	\$53,330	\$56,844

Source: Internal Revenue Service

Child Tax Credit

The child tax credit totals at \$2,000 per qualifying child and is not adjusted for inflation. However, the refundable portion of the Child Tax Credit is adjusted for inflation but will remain at \$1,400 for 2020.

Capital Gains

Long-term capital gains are taxed using different brackets and rates than ordinary income.

TABLE 6.

2020 Capital Gains Brackets

	For Single Individuals, Taxable Capital Gains Over	For Married Individuals Filing Joint Returns, Taxable Capital Gains Over	For Heads of Households, Taxable Capital Gains Over
0%	\$0	\$0	\$0
15%	\$40,000	\$80,000	\$53,600
20%	\$441,450	\$496,600	\$469,050

Source: Internal Revenue Service

Qualified Business Income Deduction (Sec. 199A)

The Tax Cuts and Jobs Act includes a 20 percent deduction for pass-through businesses against up to \$163,300 of qualified business income for single taxpayers and \$326,600 for married taxpayers filing jointly (Table 7).

TABLE 7.

2020 Qualified Business Income Deduction Thresholds

Filing Status	Threshold
Single Individuals	\$163,300
Married Filing Jointly	\$326,600

Source: Internal Revenue Service

Annual Exclusion for Gifts

In 2020, the first \$15,000 of gifts to any person is excluded from tax. The exclusion is increased to \$157,000 for gifts to spouses who are not citizens of the United States.