

# **Quickfinder<sup>®</sup> Tax Tables for Individual Returns (2019 Tax Year)**

## **Updates for December 2019 Legislation**

**Instructions:** This packet contains “marked up” changes to the pages in the *Quickfinder<sup>®</sup> Tax Tables for Individual Returns* that were affected by December 2019 legislation, which was enacted after the product was published. To update your product, you can make the same changes in your product or print the revised pages and paste over the original pages.

## Education Tax Incentives Comparison Chart (2019)

	American Opportunity Credit	Lifetime Learning Credit	Student Loan Interest Deduction	Tuition and Fees Deduction <i>Caution: Expired<sup>4</sup></i>	Qualified Tuition Program (QTP)	Education Savings Account (ESA)
IRC Sec.	25A	25A	221	222	529	530
Tax Benefit	Tax credit—40% refundable; <sup>1</sup> 60% nonrefundable.	Tax credit—nonrefundable.	Above-the-line deduction.	Above-the-line deduction.	Tax-free earnings (savings plan) or tax-free education credits (prepaid plan).	Tax-free earnings.
2019 Annual Limits	Credit up to \$2,500 per student (100% of first \$2,000 of expenses and 25% of next \$2,000).	Credit up to \$2,000 per return (20% of up to \$10,000 of expenses).	Deduction of up to \$2,500 of interest paid on education loan.	Deduction of up to \$4,000 of qualifying expenses paid.	Nonrefundable contributions limited to amount necessary to cover qualified expenses.	\$2,000 nondeductible contribution per child under age 18 and any age special-needs child.
Qualified Education Expenses (QEE) <sup>2</sup>	Tuition and fees; books, supplies and equipment. <sup>3</sup>	Tuition and fees; books, supplies and equipment. <sup>4</sup>	Tuition and fees; books, supplies and equipment; room and board, transportation, other necessary expenses.	Tuition and fees; books, supplies and equipment. <sup>4</sup>	Tuition and fees; books, supplies and equipment; <sup>3</sup> computer and internet service; room and board if at least half-time attendance.	Tuition and fees; books, supplies and equipment; <sup>3</sup> room and board if at least half-time attendance; contributions to QTP; computer and internet service (K–12 only).
QEE Must Be For	Taxpayer, spouse or dependent.	Taxpayer, spouse or dependent.	Taxpayer, spouse or dependent.	Taxpayer, spouse or dependent.	Account beneficiary.	Account beneficiary.
Qualifying Education	First four years of undergraduate.	Undergraduate and graduate.	Undergraduate and graduate.	Undergraduate and graduate.	K–12 (\$10k annual limit), undergraduate and graduate.	K–12, undergraduate and graduate.
Other Rules and Requirements	Must be enrolled at least half-time in a degree program; parents can shift credit to student by not claiming student as a dependent.	Available for unlimited number of years for both degree and non-degree programs; parents can shift credit to student by not claiming student as a dependent.	Loan must be incurred solely to pay qualified education expenses of student enrolled at least half-time in a degree program. Payer must be legally obligated to repay debt.	Not allowed if education expenses are deducted under another provision or education credit is claimed.	Account owner can change beneficiary or reclaim funds; can elect to spread gift over five years; some states allow deduction to residents; beneficiary can be anyone.	Contributions must be made by the original return due date; may also contribute to QTP; mandatory distributions at age 30; beneficiary can be anyone.
2019 Modified AGI Phase-Out				Not allowed if MAGI exceeds: <sup>5</sup>		
MFJ.....	\$ 160,000 – 180,000	\$ 116,000 – 136,000	\$ 140,000 – 170,000	\$ 160,000	N/A	\$ 190,000 – 220,000
Single, HOH, QW....	80,000 – 90,000	58,000 – 68,000	70,000 – 85,000	80,000		95,000 – 110,000
MFS.....	Do Not Qualify	Do Not Qualify	Do Not Qualify	Do Not Qualify		95,000 – 110,000

<sup>4</sup> **Expired Provision Alert:** The tuition and fees deduction expired at the end of 2017. It's possible that Congress will extend it to 2018 and 2019, but had not done so at the time of this publication.

<sup>1</sup> *Exception:* Not refundable for certain children under age 24.

<sup>2</sup> Qualifying educational expenses must be reduced by any tax-free scholarships and grants. The same educational expenses cannot be used for figuring more than one benefit.

<sup>3</sup> Must be required for enrollment or attendance at an eligible educational institution.

<sup>4</sup> Must be paid to the eligible educational institution as a condition of the student's enrollment or attendance at the institution.

<sup>5</sup> No AGI phase-out range. Up to \$4,000 is deductible if MAGI does not exceed \$65,000 (\$130,000 for MFJ). Up to \$2,000 is deductible if MAGI does not exceed \$80,000 (\$160,000 for MFJ).

## Qualified Business Income (QBI) Deduction

QBI Deduction Trades and Businesses	
Qualified Trade or Business	Specified Service Trade or Business (SSTB) <sup>1</sup>
Any trade or business other than: 1) The business of performing services as an employee and 2) A SSTB (see next column), except for engineering and architecture services. <b>Note:</b> Engineering and architecture services are excluded from the definition of a SSTB so they are treated as qualified trades or businesses [IRC Sec. 199A(d)(2)(A)]. Services within the fields of architecture and engineering are not treated as consulting services [Reg. 1.199A-5(b)(2)(vii)].	A business that involves the performance of services in the fields of: <ul style="list-style-type: none"> <li>• Health;</li> <li>• Law;</li> <li>• Accounting;</li> <li>• Actuarial science;</li> <li>• Performing arts;</li> <li>• Consulting;</li> <li>• Athletics;</li> <li>• Financial services;</li> <li>• Brokerage services;</li> <li>• Investing and investment management and</li> <li>• Trading or dealing in securities, partnership interests or commodities.</li> </ul> Plus a business where the principal asset is the reputation or skill of one or more of its owners or employees.
<sup>1</sup> See the table <i>Specified Service Trades or Businesses (SSTBs)</i> on Page 6-21 for definitions of each SSTB.	

Children Subject to the Kiddie Tax Rules <sup>1</sup>	
Age at year-end <sup>2</sup>	Rules apply if:
< 18	Always apply.
18	Child's earned income ≤ 50% of his support. <sup>3</sup>
19-23	Child is a full-time student and earned income ≤ 50% of his support. <sup>3</sup>
> 23	Never apply.
<sup>1</sup> <i>Exception:</i> The kiddie tax rules do not apply if child (a) is married and files a joint return or (b) does not have at least one living parent at year-end. <sup>2</sup> For 2019, the age of a child with a January 1 birthday is determined as of January 1, 2020. <sup>3</sup> Support includes amounts spent for the child's food, lodging, clothing, education, medical and dental care, recreation, transportation, and similar necessities. A scholarship a child receives is not considered support if he is a full-time student.	

QBI Deduction—Taxable Income Thresholds (2019)				
Taxable income before QBI deduction			Qualified trade or business	Specified service trade or business
Single, HOH	MFS	MFJ		
\$0–160,700	\$0–160,725	\$0–321,400	20% deduction <sup>1</sup>	20% deduction <sup>1</sup>
\$160,701–210,700	\$160,726–210,725	\$321,401–421,400	Wage/investment limit phases in	Wage/investment limit phase in
Over \$210,700	Over \$210,725	Over \$421,400	Subject to wage/investment limit	No deduction
<sup>1</sup> 20% deduction is limited to 20% of taxable income (excluding net capital gain).				

# Retirement Plans

2019 IRA Chart			
	Traditional IRA		Roth IRA
	Deductible IRA	Nondeductible IRA	
<b>Qualifications to Make Contributions</b>	Individual (or spouse) must have earned income (compensation) and must be under age 70½ at end of the year.		Individual (or spouse) must have earned income (compensation). No age restrictions.
<b>Contribution Limit</b>	Lesser of (1) \$6,000 (additional \$1,000 if age 50 or older at end of the year) or (2) compensation. <i>Spousal IRA rule:</i> Provided a joint return is filed, the lower-earning spouse (even if no earnings) can consider the other's compensation to the extent it has not been taken into account in making an IRA contribution for the higher-earning spouse.		Same as traditional IRA but phases out at following modified AGI amounts: MFJ, QW: \$ 193,000 – \$ 203,000 Single, HOH: 122,000 – 137,000 MFS: <sup>1</sup> 0 – 10,000
<b>Contribution Deadline</b>	Due date (not including extensions) of return for the year of the contribution. April 15, 2020 for 2019 contributions.		
<b>Allowable Deduction</b>	Full deduction if individual (and spouse) not covered by an employer retirement plan. If individual (or spouse) is covered by an employer retirement plan, see next row.	None	None
<b>Impact of Being Covered By an Employer Retirement Plan</b>	If individual is covered, the deduction for the individual's contribution is subject to phase-out at the following modified AGI amounts: MFJ, QW: \$ 103,000 – \$ 123,000 Single, HOH: 64,000 – 74,000 MFS: <sup>1</sup> 0 – 10,000  If not covered but spouse is covered, the deduction for the individual's contribution is subject to phase-out at the following modified AGI amounts: MFJ, QW: \$ 193,000 – \$ 203,000 MFS: <sup>1</sup> 0 – 10,000	None	None
<b>Taxation of Distributions</b>	Distributions are taxable as ordinary income. If there are any traditional IRAs with basis, the value and basis of all of the individual's traditional IRAs (including SEP IRAs and SIMPLE IRAs) are combined to compute the nontaxable portion of the distribution, based on a pro rata allocation.		Qualified distributions are nontaxable—see <i>Qualified distributions</i> on Page 14-7. The earnings portion of nonqualified distributions is taxable as ordinary income. <sup>2</sup>
<b>Penalties</b>	6% penalty on excess contributions. 10% penalty on early (pre-age 59½) distributions not meeting a penalty exception (see below). 50% penalty on excess accumulation when required minimum distribution not made.		
<b>Exceptions to 10% Early Distribution Penalty</b>	The 10% penalty does not apply to the following IRA distributions: 1) On or after age 59½. 2) After becoming disabled. 3) To a beneficiary of a deceased IRA owner. 4) Substantially equal periodic payments. 5) To the extent the taxpayer has unreimbursed medical expenses exceeding 10% of his AGI. 6) Made to certain unemployed individuals to the extent of the cost of their health insurance premiums. 7) To the extent the taxpayer has qualified higher education expenses. 8) Used to buy, build or rebuild a first home (up to \$10,000 lifetime limit). 9) Resulting from an IRS levy on the account. 10) Made to certain military personnel.		
<b>Required Distributions</b>	Must begin by April 1 of the year following the year the account owner turns age 70½.		Distributions are required only after the death of the Roth IRA owner.
<b>Rollovers and Conversions</b>	IRA funds may be rolled into another IRA or employer retirement plan (see <i>Rollovers and Transfers</i> on Page 14-9). IRA funds may also be converted to a Roth IRA—the conversion is subject to income tax but not the 10% early withdrawal penalty. <sup>3</sup>		Funds from one Roth IRA may be rolled over tax-free into another Roth IRA.

<sup>1</sup> Married individuals filing MFS who live apart at all times during the year are treated as single.

<sup>2</sup> Roth IRA distributions are treated as made from contributions first. Taxation on the earnings portion begins after total distributions exceed total contributions.

<sup>3</sup> Traditional IRA converted to a Roth IRA must remain in the Roth IRA for five years or the 10% penalty applies to the converted amount that is withdrawn, even if the amount distributed is not subject to income tax (unless one of the 10% penalty exceptions applies).

## Exceptions to 10% Withdrawal Penalty Before Age 59½

**Note:** Distributions treated as a return of nondeductible contributions, distributions of excess contributions or deferrals and distributions of excess aggregate contributions to meet nondiscrimination requirements are not subject to the 10% penalty.

Form 5329 Number	Applies to distributions from:	Exception
01.....	Qualified plan	Distribution made to an employee after separating from service in or after the year he reaches age 55 (age 50 for qualified public safety employees).
02.....	Qualified plan or IRA	Distribution is part of a series of substantially equal periodic payments made over the life expectancy of the participant or joint lives of participant and his beneficiary.
03.....	Qualified plan or IRA	Distribution made due to total and permanent disability.
04.....	Qualified plan or IRA	Distribution made due to death.
05.....	Qualified plan or IRA	Distribution to the extent the individual's unreimbursed medical expenses exceed 7.5% of his AGI.
06.....	Qualified plan	Distribution made to an alternate payee pursuant to a qualified domestic relations order (QDRO).
07.....	IRA	Distribution to pay for health insurance premiums for certain unemployed individuals.
08.....	IRA	Distribution to the extent of the qualified higher education expenses for the year of the taxpayer, spouse, child or grandchild.
09.....	IRA	Distribution for first-time home purchases (no home ownership in prior two years). Exception limited to \$10,000 (lifetime).
10.....	Qualified plan or IRA	Distribution due to an IRS levy on the qualified plan or IRA. The exception will not apply if funds are withdrawn to avoid a levy or to satisfy a levy on other property.
11.....	Qualified plan or IRA	Distribution to reservists while serving on active duty for at least 180 days.
12.....	—	Various other exceptions. See Form 5329 instructions and Pubs. 575 and 721 for more information.

## Uniform Lifetime Table for Computing Required Minimum Distributions (RMDs)

Age	Distribution Period	Age	Distribution Period
70.....	27.4	93.....	9.6
71.....	26.5	94.....	9.1
72.....	25.6	95.....	8.6
73.....	24.7	96.....	8.1
74.....	23.8	97.....	7.6
75.....	22.9	98.....	7.1
76.....	22.0	99.....	6.7
77.....	21.2	100.....	6.3
78.....	20.3	101.....	5.9
79.....	19.5	102.....	5.5
80.....	18.7	103.....	5.2
81.....	17.9	104.....	4.9
82.....	17.1	105.....	4.5
83.....	16.3	106.....	4.2
84.....	15.5	107.....	3.9
85.....	14.8	108.....	3.7
86.....	14.1	109.....	3.4
87.....	13.4	110.....	3.1
88.....	12.7	111.....	2.9
89.....	12.0	112.....	2.6
90.....	11.4	113.....	2.4
91.....	10.8	114.....	2.1
92.....	10.2	115+.....	1.9