Supplement to J. K. Lasser's 1,001 Deductions and Tax Breaks 2020

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The tax law is not static. Since the publication of this book, Congress has enacted a massive spending measure—the Further Consolidated Appropriations Act, 2020. Part of this measure is the Taxpayer Certainty and Disaster Tax Relief Act of 2019, which makes changes impacting returns for 2018, 2019, and 2020. These include "extenders," which are tax breaks that expired at the end of 2017 but have been retroactively reinstated and extended through 2020 (or longer), along with a few other breaks that expired at the end of 2019 but have been given one more year. And it includes tax relief for victims of certain disasters.

Also part of the massive spending measure is the Setting Every Community Up for Retirement Enhancement (SECURE) Act, which makes dramatic changes in retirement plans starting in 2020 or later; the changes do not impact 2019 returns but clearly impact tax planning for 2020 and beyond. What's more, there have been judicial and administrative changes, with the courts handing down decisions and the IRS providing guidance on various provisions that may impact your 2019 tax returns, your 2020 estimates, and overall tax planning for 2020.

Given the retroactive extension of various provisions and certain disaster tax relief, you may want to file an amended return to claim a tax refund for 2018. In doing so, keep in mind that in general the period for filing a refund claim is 3 years from the time the return was filed or 2 years from the time the tax was paid, whichever is later. Weigh the amount of the refund against the cost of professional fees for filing an amended return if you don't do it yourself, as well as the risk of exposing any questionable positions taken on the original return to IRS scrutiny. Potential refund opportunities are noted in this Supplement.

The changes presented in this Supplement are tied to the chapters in the book.

Introduction

Above-the-line deductions. The above-the-line deduction for educator expenses of up to $250, which can be adjusted for inflation, will remain unchanged for 2020.

Tuition and fees deduction. The deduction for tuition and fees of up to $4,000, expired at the end of 2017, but has been retroactively extended for 2018 and 2019; it applies for 2020 as well. Consider whether to file an amended return for 2018 if eligible for this deduction.

Standard deduction amounts. The basic standard deduction amounts are increased in 2020 due to cost-of-living adjustments:

- Married filing jointly and surviving spouses: $24,800 (up from $24,4000).
- Heads of households: $18,650 (up from $18,350).
- Singles and married filing separately: $12,400 (up from $12,200).

Additional standard deduction amounts. For 2020, the additional standard deduction amount for age and/or blindness increases remain unchanged at $1,650 for single filers and heads of households and $1,300 for married filers (filing jointly or separately) and surviving spouses.

Net disaster loss. Individuals who do not itemize but suffer a net disaster loss in a federally-declared disaster area can effectively increase their standard deduction amount. In figuring this deduction, the loss must be reduced by $500 (instead of the usually $100 threshold), but the 10%-of-adjusted-gross-income threshold does not apply. This write-off option applies to disasters declared on or after January 1, 2018, through February 18, 2020. Consider whether to file an amended return for 2018 if eligible for this deduction, or to claim a deduction otherwise allowed for 2018 on your 2017 return under the prior year rule.

Earned income tax credit and child tax credit. Victims of a federally-declared disaster can use prior year's earned income for figuring earned income credit and child tax credit if greater than in the year of the disaster. This option applies to disasters declared on or after January 1, 2018, through February 18, 2020.

Chapter 1—Your Family

Dependents. While the personal and dependency exemptions are not deductible in 2018 through 2025, the definition of dependent continues to apply for various tax breaks (e.g., child tax credit; head of household status). The amount of income for a qualifying relative taken into account in determining dependent status in 2020 is $4,300 (up from $4,200 in 2019).

Child tax credit. There is no change in the child tax credit for 2020. The refundable credit amount remains at $1,400 per eligible child.

Earned income credit. The earned income credit amounts, including adjusted gross income limits, have been increased for 2020. As a result, the maximum earned income credit in 2020 is $3,584 for on qualifying child, $5,920 for two qualifying children, $6,660 for three or more qualifying children, and $538 for those with no qualifying child.

Dependent care credit. There have been no changes in this tax credit.

Adoption credit. The adoption credit limit increases to $14,300 for 2020 (up from $14,080 in 2019). The modified adjusted gross income limits on eligibility for the credit have also been increased slightly for 2020.

Chapter 2—Medical Expenses

Individual mandate. A federal appeals court had decided that the Affordable Care Act is unconstitutional. It has sent the case down to a district court to decide whether provisions are severable, meaning that even though the individual mandate is not constitutional, other provisions can stand. Although requests for expedited consideration by the U.S. Supreme Court were filed, the Court declined to do this. It's unclear when the matter will be resolved. The impact of this decision on those who've paid a penalty for failing to have minimum essential health coverage prior to 2019 (the penalty expired at the end of 2018) remains to be seen.

Premium tax credit. This refundable tax credit, which continues to apply despite repeal of the individual mandate, is designed to help individuals pay for the cost of health coverage for themselves and their dependents. To be eligible for the premium tax credit, your household income must be at least 100%, but no more than 400% of the federal poverty line for your family size. Eligibility for the credit in 2020 is based on 2019 federal poverty guidelines for the 48 contiguous states and District of Columbia as shown in the following table.

Persons in the family/household	Poverty guideline (100%)
1	$12,490
2	$16,910
3	$21,330
4	$25,750
5	$30,170
6	$34,590
7	$39,010
8	$43,430
More than 8	Add $4,420 for each additional person

*The guidelines are higher in Alaska and Hawaii; see https://aspe.hhs.gov/poverty-guidelines.

Health coverage tax credit. This credit had been set to expire at the end of 2019, but has been extended for one year (through 2020).

Itemized medical expenses. The adjusted gross income (AGI) floor for deducting itemized medical expenses in 2019 and 2020 remains at 7.5% (it had been scheduled to rise to 10% in 2019). This floor applies for all taxpayers (not merely those age 65 and older as in the past).

For 2020, the IRS medical expense mileage rate is 17¢ per mile (down from 20¢ per mile in 2019).

As noted in the book, the IRS indicated in a private letter ruling that the cost of the health aspects of a DNA testing kit can be a deductible medical expense. The website 23andMe offers a calculator at https://www.23andme.com/fsa-hsa/ to figure the deductible portion of the cost of the kit. The site will provide a receipt that can be submitted for an FSA or HSA claim.

Long-term care coverage. The portion of long-term care insurance premiums that are treated as a deductible medical expense has increased in 2020 for each age group. The cap for those who are age 70 and older in 2020 is $5,430.

Flexible spending arrangements (FSAs). In 2020, the maximum salary contribution to an FSA is capped at $2,750 (up from $2,700 in 2019).

QSEHRAs. The maximum employer reimbursement under a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) for individually-obtained health insurance in 2020 is $5,250 for self-only coverage and $10,600 for family coverage.

Health savings accounts (HSAs) and Archer medical savings accounts (MSAs). The 2020 contribution limits for these medical savings accounts have increased slightly.

Accelerated death benefits. For chronically ill individuals, the daily dollar limit excludable from gross income for 2020 is $380 (up from $370 in 2019). Excess amounts are taxable to the extent they exceed actual long-term care costs.

ABLE accounts. This type of savings account is designed to pay certain costs of a disabled individual without costing him or her eligibility for government assistance. The contribution limit for 2020 is $15,000 (unchanged from 2019). However, disabled individuals may be able to increase their contribution as explained in the chapter. As of January 2020, ABLE accounts have gone live 42 states and the District of Columbia.

Medicare. The "standard" premium for Part B coverage in 2020, the premium paid by most beneficiaries, is $144.60 per month (compared with $135.50 per month on average for 2019). Those who fall within a "hold harmless" definition pay a lower monthly premium for 2020. The following tables (one for Part B and one for Part D) show the 2020 surcharges and total premiums for higher-income taxpayers, which are based on modified adjusted gross income (MAGI) in 2018.

Part B Premiums for 2020:

2018 MAGI for joint filers	*2018 for other filers**	***Total monthly Part B premium for 2020***
Up to $174,000	Up to $87,000	$144.60 unless held harmless
$174,001 to $218,000	$87,001 to $109,000	$202.40
$218,001 to $272,000	$109,001 to $136,000	$289.20
$272,001 to $326,000	$136,001 to $163,000	$376.00
$326,001 to $749,999	$163,001 to $499,999	$462.70
$750,000 or greater	$500,000 or greater	$491.60

* Married persons filing separately for 2018 who did not live apart for the entire year are subject to a monthly premium for 2020 of $462.70 if 2018 MAGI was over $87,000 and under $413,000, or $491.60 if 2018 MAGI was $413,000 or more..

Part D premiums for 2020:

2018 MAGI for joint filers	*2018 for other filers**	*Total monthly Part D premiums for 2020*
Up to $174,000	Up to $87,000	Plan premium (no surcharge)
$174,001 to $214,000	$87,001 to $109,000	$12.20 + plan premium
$218,001 to $272,000	$109,001 to $136,000	$31.50 + plan premium
$272,001 to $326,000	$136,001 to $163,000	$50.70 + plan premium
$326,001 to $749,999	$163,001 to $499,999	$70.00 + plan premium
$750,000 and higher	$500,000 and higher	$76.40 + plan premium

* Married persons filing separately for 2018 who did not live apart for the entire year are subject to a monthly premium for 2020 of $70.00 if 2018 MAGI was over $87,000 and under $413,000, or $76.40 if 2018 MAGI was $413,000 or more.

Chapter 3—Education Costs

Employer assistance with student loan repayment. While bills were proposed to enable employers to help employees repay their student loans on a tax-advantaged basis, nothing yet has been enacted.

American opportunity credit. There is no modified adjusted gross income limit change in 2020 for eligibility to claim the credit.

Lifetime learning credit. The modified adjusted gross income thresholds above which the credit is phased out have been increased slightly for 2020 ($59,000, or $118,000 for joint filers).

Tuition and fees deduction. The above-the-line deduction for tuition and fees of up to $4,000, which expired at the end of 2017, has been extended retroactively for 2018 and 2019; it also applies through 2020. Consider whether to file an amended return for 2018 if eligible for this deduction.

Student loan interest deduction. The modified adjusted gross income (MAGI) thresholds above which the deduction is phased out for 2020 have not been increased. For singles, the 2020 phase-out starts at $70,000 and is completed at $85,000. The MAGI phase-out for joint filers starts at $140,000 and is completed at $170,000. These limits are unchanged from 2019.

Interest on U.S. savings bonds. The modified adjusted gross income limits on eligibility to claim the exclusion for interest on bonds redeemed to pay qualified higher education costs have been increased for 2020.

529 plans. For distributions made after 2018, qualified education expenses, distributions for which are tax free, includes those made to repay student loans (with a lifetime limit of $10,000).

ABLE accounts. The annual contribution limit for 2020 is $15,000 (unchanged from 2019).

Chapter 4—Your Home

Mortgage insurance premiums. The ability to treat mortgage insurance premiums as deductible mortgage interest, which expired at the end of 2017, has been extended for 2018 and 2019; it applies for 2020 as well. Consider whether to file an amended return for 2018 if eligible for this deduction.

Cancellation of mortgage debt. The exclusion for income resulting from the cancellation of debt up to $2 million on a principal residence, which expired at the end of 2017, has been extended for 2018 and 2019; it applies for 2020 as well. Consider whether to file an amended return for 2018 if eligible for this income exclusion.

Coop housing. While the House passed a bill to provide relief from the SALT cap (the $10,000 on the deduction for state and local taxes), it is unlikely to receive similar treatment in the Senate. But watch for any possible developments on this deduction.

Moving expenses. No deduction can be claimed for work-related moving expenses except for certain military personnel. Those who qualify can figure their move-related driving at 17¢ per mile in 2020 (down from 20¢ per mile in 2019).

Energy improvements. The residential energy property credit for making certain improvements, such as adding insulation or installing energy-efficient windows and exterior doors, which expired at the end of 2017, has been extended for 2018 and 2019; it applies for 2020 as well. Consider whether to file an amended return for 2018 if eligible for this tax credit. Keep in mind that $500 is a lifetime limit, so if you already used the credit, the extension does not affect you.

Disaster rules for casualties to your home. See Chapter 13.

Chapter 5—Retirement Savings

Traditional IRAs and Roth IRAs. The basic contribution limit for 2020 is $6,000, and the additional "catch-up" contribution limit of $1,000 for those who are at least 50 years old by the end of the year; both limits are unchanged from 2019. The modified adjusted gross income (MAGI) limits on eligibility to make deductible contributions to a traditional IRA are increased slightly for 2020, as are the MAGI limits for Roth IRAs.

401(k) and similar plans. The 2020 elective deferral contribution limit increases to $19,500 (up from $19,000 in 2019). The additional contribution limit for those who are age 50 or older by the end of the year for 2020 is also increased to $6,500 (up from $6,000 in 2019).

Self-employed retirement plans. Contribution, benefit, and other limits for these plans for are increased slightly for 2020. For example, the contribution limit for profit-sharing plans in 2020 is $57,000 (up from $56,000 in 2019).

Simplified Employee Pension plans (SEPs). Contribution limits for these plans for 2020 is $57,000 (up from $56,000 in 2019). The earnings threshold for including an employee in a SEP is unchanged at $600.

Savings Incentive Match Plans for Employees (SIMPLEs). The 2019 contribution limit for SIMPLEs and the additional contribution limit for those age 50 or older by the end of the year are $13,500 (up from $13,000 in 2019) and $3,000 respectively (unchanged from 2019).

Retirement saver's credit. The MAGI limits on eligibility to claim the retirement saver's credit for contributions to IRAs, 401(k)s, and similar plans, as well as to ABLE accounts, have been increased for 2020.

Loans and hardship distributions to victims of certain disasters. Special rules apply for victims of who suffered losses after 2017 from disasters declared by February 18, 2020; for distributions received before June 17, 2020. These breaks include:

- Penalty-free distributions to those under age 59½ and the option to recontribute these distributions at any time.
- Loans up to $100,000 (the 50% account balance limit does not apply).
- Spreading income from distributions over 3 years (unless you opt to report it in the year of receipt).
- Recontribution of withdrawals taken to buy a home where the sale falls through because of the disaster.

Chapter 6—Charitable Giving

Waiver of donation limit. Usually, cash donations to charity are limited to 60% of adjusted gross income (AGI). However, for donations made to provide disaster relief, the percentage cap is waived. This applies to federally-declared disasters declared on or after January 1, 2018, for contributions paid through February 18, 2020.

If you take advantage of this higher AGI limit, be sure not only to receive a contemporary written acknowledgment (something required for donations of $250 or more), but that the acknowledgment says your donation will be used for disaster relief.

Chapter 7—Your Car

Business use of your personal car. The IRS announced that the standard mileage rate, used in lieu of deducting the actual costs of business driving, is 57.5¢ per mile in 2020 (down from 58¢ per mile in 2019). If you use the standard mileage rate, you must reduce the basis of your vehicle by 27¢ per mile in 2020 (up from 26¢ per mile in 2019).

The dollar limits on depreciating passenger cars, trucks, and vans placed in service in 2020 have not yet been announced.

The dollar limit on first-year expensing for a heavy SUV (exempt from the annual depreciation dollar limits) is increased to $25,900 for 2020 (up from $25,500 for 2019).

Electric drive vehicles. The credit for 2-wheel vehicles, which expired at the end of 2017, has been extended for 2018 and 2019; it applies as well for 2020.

Chapter 8—Investing

Taxable income breakpoints for capital gains rates. The following table shows the break points for capital gain rates for 2020:

Rate	Married filing jointly (and surviving spouse)	Head of household	Single	Married filing separately
0%	Up to $80,000	Up to $53,600	Up to $40,000	Up to $40,000

15%	$80,000 - $496,600	$53,600 - $469,050	$40,000 - $441,450	$40,000 - $248,300
20%	Over $496,600	Over $469,050	Over $441,450	Over $248,300

Gain on empowerment zone assets. The exclusion of gain on the sale of empowerment zone assets that are rolled over within 60 days of the sale, which had expired at the end of 2017, has been extended for 2018 and 2019; it applies as well for 2020.

Gain on Opportunity Zone assets. Generally, gain on the sale of assets can be deferred by investing them in a qualified opportunity fund (QOF) within 180 days. Deferral continues until the earlier of an inclusion event or December 31, 2026. And if there is an inclusion event, a rollover of gain from a QOF is permissible. Final regulations issued in December 2019 provide a list of inclusion events, which include:

- *Inclusion events*: A disposition of a QOF interest, gift of a QOF interest, transfer to a spouse incident to divorce, loss of QOF status (a decertification of the fund as qualified, either voluntarily or involuntarily), a partnership distribution of a QOF to the extent that cash or the fair market value exceeds the partner's outside basis in the QOF; a QOF becomes worthless.
- *Non-inclusion events*: Death (but heirs do not get a stepped-up basis; they recognize the deferred gain in 2026), contribution to a partnership.

Note that not all states allow for QOF deferral. California and Massachusetts require state income tax on gains from the sale of QOF investments. (Out-of-state investors in California a QOF with projects in that state may also be subject to California income tax; it's not yet clear.)

Chapter 9—Travel

Business travel per diem rates. The maximum federal per diem rate for travel starting October 1, 2019, through September 30, 2020, covering lodging and meals and incidental expenses (M&IE) within the continental United States (CONUS) in most locations is $151 per day ($96 for lodging and $55 for M&IE). These rates are higher than the prior 12-month period when the rate was $149 per day ($94 for lodging and $55 for M&IE). The per diem rates for travel to certain areas have been increased. These rates can be found here.

The high-low substantiation rates for areas within CONUS for the period October 1, 2019, through September 30, 2020, are $297 for travel to high-cost localities and $200 for travel to all other areas with CONUS. Of these rates, the meal portion is $71 for high-cost areas and $60 for all other areas within CONUS. The list of high-cost areas has been changed (see Notice 2109-55 for details).

Driving your car for medical. The IRS standard mileage rate for 2020 is 17¢ per mile (down from 20¢ per mile in 2019).

Frequent flyer miles. The IRS has not made any further determinations affecting the tax treatment of frequent flyer miles.

Chapter 10—Real Estate

Deduction for energy-efficient commercial buildings. The ability to deduct up to $1.80 per square foot for an energy-efficient building, which had expired at the end of 2017, has been extended for 2018 and 2019; it applies as well for 2020.

Qualified improvement property. The error in the Tax Cuts and Jobs Act of 2017, which failed to reduce the recovery period for qualified improvement property to 15 years, has not yet been corrected by Congress. As a result, the recovery period is 39 years.

Special breaks for certain disaster victims. See Chapter 4 on relief for losses on personal residences.

Chapter 11—Borrowing and Interest

Home mortgage interest. See Chapter 4.

Student loan interest. See Chapter 3.

Borrowing from retirement plans. See Chapter 5.

Investment-related interest. See Chapter 8.

Chapter 12—Insurance and Catastrophes

Disaster losses. If you have a net disaster loss from a federally-declared disaster on or after January 1, 2018, through February 18, 2020, you can take an itemized deduction for the loss without regard to the 10%-of-adjusted-gross-income threshold. However, instead of applying the $100 per event reduction, you must reduce the loss by $500. If you don't itemize, you can still deduct this disaster loss as an additional standard deduction amount.

Find a list of all federal disaster areas for 2019 disasters from FEMA. Looking ahead, designated disasters in 2020 will be listed by FEMA (https://www.fema.gov/disasters).

Accelerated death benefits. For chronically ill individuals, the daily dollar limit excludable from gross income for 2020 is $370 (up from $370 from 2019); excess amounts are taxable to the extent they exceed actual long-term care costs.

Chapter 13—Your Job

Educator expenses. See the *Introduction*.

Fringe benefits. A couple of benefits have been adjusted for inflation for 2020:

Transportation fringe benefits. The monthly exclusion for free parking, transit passes, and van pooling for 2020 is $270 (up from $265 in 2019).

Adoption assistance. The exclusion amount in 2020 for employer-provided adoption assistance is $14,300 (up from $14,080 in 2019).

Income earned abroad. The maximum foreign earned income exclusion for 2020 is $107,600 (up from $105,900 in 2019).

Wage withholding. The new Form W-4 (https://www.irs.gov/pub/irs-pdf/fw4.pdf) is effective for 2020 withholding. If you filed the old W-4 with your employer, you are not required to file a new form. However, you may wish to do so in order to closely peg withholding to your actual tax liability. The IRS has an online Tax Withholding Estimator (https://www.irs.gov/individuals/tax-withholding-estimator) to help you figure the proper withholding.

Chapter 14—Your Business

Qualified business income (QBI) deduction. The taxable income threshold is $326,600 for joint filers and $163,300 for all other filers.

The IRS has provided guidance under which a rental real estate enterprise will be treated as a trade or business for purposes of the QBI deduction. A rental real estate enterprise must meet all of the following conditions:

1. Keep separate books and records to reflect income and expenses for each rental real estate enterprise.
2. For rental real estate enterprises that have been in existence less than 4 years, 250 or more hours of rental services are performed per year with respect to the rental real estate enterprise. For rental real estate enterprises that have been in existence for at least 4 years, in any 3 of the 5 consecutive taxable years that end with the taxable year, 250 or more hours of rental services are performed per year with respect to the rental real estate enterprise.
3. You must maintain contemporaneous records, including time reports, logs, or similar documents, regarding the following: (i) hours of all services performed; (ii) description of all services performed; (iii) dates on which such services were performed; and (iv) who performed the services. If services with respect to the rental real estate enterprise are performed by employees or independent contractors, the taxpayer may provide a description of the rental services performed by such employee or independent contractor, the amount of time such employee or independent contractor generally spends performing such services for the

enterprise, and time, wage, or payment records for such employee or independent contractor. Such records are to be made available for inspection at the request of the IRS.

4. You or the relevant pass-through entity (RPE) attaches a statement to a timely filed original return (or an amended return for the 2018 taxable year only) for each taxable year in which you or RPE relies on the safe harbor. An individual or RPE with more than one rental real estate enterprise relying on this safe harbor may submit a single statement but the statement must list the required information separately for each rental real estate enterprise.

Equipment purchases. The Tax Cuts and Jobs Act made important changes impacting write-offs for equipment purchases. Note the effective dates:

- *First-year expensing.* The deduction limit for 2020 is $1,040,000. This amount begins to phase out when purchases in 2020 exceed $2,590,000.
- *Bonus depreciation.* Bonus depreciation remains at 100% for 2019. The 100% limit applies through 2022; the rate will be 80% in 2023, 60% in 2024, 40% in 2025, and 20% in 2026. (There is an additional year for property with long production periods.)

Improvements to commercial space. The error in the Tax Cuts and Jobs Act of 2017, which failed to reduce the recovery period for qualified improvement property to 15 years, has not yet been corrected by Congress. As a result, the recovery period is 39 years.

Employment-related tax credits. The empowerment zone employment credit and Indian employment, which had expired at the end of 2017, have been extended to 2018 and 2019; they apply as well for 2020.

What's more, the work opportunity credit and the paid family and medical leave credit, which had been set to expire at the end of 2019, has been extended through 2020. Use Form 8994 To claim the paid family and medical leave credit.

An employer retention credit applies for 2018 and 2019 for employers that continue to pay employees affected by a qualified disaster. Key aspects of the credit are:

- The credit is part of the general business credit, which is subject to a one-year carryback (to produce a tax refund) and, if not used up, a 20-year carryforward.
- The credit is limited to eligible employers who pay eligible employees. An eligible employer is one with an active business in a qualified disaster zone (an area declared eligible for federal disaster relief) that becomes inoperable as a result of the disaster. An eligible employee is one whose principal place of employment is with an eligible employer (in the disaster area).

- The credit is 40% of wages up to $6,000 that are paid from the time the business is inoperable until the date it resumes operations or 150 days after the incident, whichever is earlier.
- An employee can only be taken into account once, so if the work opportunity credit is used for wages paid to an employee, the employee retention credit can't be use for the same employee.

Self-employment tax. The wage base for the Social Security portion of the self-employment tax in 2020 is $137,700 (up from $132,900 in 2019).

Standard mileage rate. The IRS announced the standard mileage rate, used in lieu of deducting the actual costs of business driving is 57.5¢ per mile for 2020 (down from 58¢ per mile in 2019).

Those who own their vehicles and use the standard mileage rate for 2020 must reduce the vehicle's basis by 27¢ per mile (up from 26¢ per mile in 2019).

Business-related tax credits. The energy-efficient home credit and the alternative fuel vehicle refueling property credit, along with various other tax credits listed in Table 14.2, which had expired, have been extended retroactively for 2018 and 2019; they apply as well for 2020.

Chapter 15—Miscellaneous Items

IRS interest rate. The rate for underpayments and overpayments of taxed by individuals is 5% for the first quarter of 2020 (the same as the last quarter of 2019). This rate can be adjusted quarterly.

Gifts you make. The annual exclusion amount for 2020 is $15,000 per recipient (unchanged from 2019). Of course, the recipient can receive any amount tax free (the exclusion impacts only the gift tax, if any, owed by the person making the gift).

The IRS has made it clear that when the substantial lifetime exemption ($11,400,000 in 2019; $11,580,000 in 2020), also called the basic exclusion amount (BEA), expires at the end of 2025, there will not be any clawback required. Final regulations provide a special rule that will allow estates to compute the estate tax credit using the higher of the BEA applicable to gifts made during life or the BEA applicable on the date of death.

Tax audits. The reasonable reimbursement rate for attorney's fees in 2020 when the IRS's position is not substantially justified and other requirements are met is $210 per hour ($10 more per hour than for 2019).

Exemption amounts. The AMT exemption amounts for 2020 are:

Filing status	**2020 exemption**
Married filing jointly/surviving spouse	$113,400

Single/head of household	$72,900
Married filing separately	$56,700

Exemption phase-out. The exemption amounts for 2020 start to phase out when alternative minimum taxable income (AMTI) exceeds $1,036,800 for married filing jointly and surviving spouses and $518,400 for other filers.

ABLE accounts. See Chapter 2.