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2019 and 2020 Personal Tax Rate Overview

- For 2018 and future years, under the tax reform law (Tax Cuts and Jobs Act of 2017) signed on 12/22/17, ordinary marginal tax rates are 10%, 12%, 22%, 24%, 32%, 35% and 37%.
- Capital Gains and Dividend Tax Rates- A 20% tax rate applies to long term capital gains and dividends for individuals at highest income tax bracket of 37% in 2019. The 15% rate applies for those in the middle tax brackets and a zero rate applies for taxpayers in the 10% and 12% brackets. In addition, note that the 3.8% surtax explained below will further increase these rates, depending on income.
- The employee's portion of the social security tax on earned income is 6.2%, capped at \$132,900 for 2019 and \$137,700 for 2020.
- There is a surtax of 3.8% on unearned income (i.e. interest, dividends, capital gains, net rental income, annuities, royalties) for those taxpayers whose modified adjusted gross income is above certain threshold levels. Those thresholds are \$200,000 for single and head of household filers, \$250,000 for married, filing jointly and \$125,000 for married, filing separately.
- There is a .9% increase in the medicare tax (from 1.45% to 2.35%) on earned income (i.e. W-2 wages, self employment income) for taxpayers whose income threshold exceed the levels indicated above in the 3.8% surtax section.
- The exemption amount for the alternative minimum tax (AMT) on individuals has been permanently indexed for inflation. Under the tax reform act effective for 2018, the exemption levels have been increased. In addition, limitations and eliminations on certain itemized deductions (taxes, miscellaneous deductions) have also decreased. Therefore, it is likely that many taxpayers who incurred alternative minimum tax in the past will not be affected by it in 2019 and future years.

Please feel free to call or email our office to further discuss any of this information.