Financial Intelligence

Peak Asset MANAGEMENT

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Retirement and Tax Planning Update

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IRA and Retirement Plan Limits for 2020

While those still working may be finalizing last minute 2019 IRA/self-employed retirement plan contribution strategies, it is important to start planning for 2020 to make sure one remains on target to reach long-term retirement goals. While the "Key Numbers 2020" insert to this newsletter will detail limits on retirement planning, here are some highlights:

IRA Contribution Limits

Subject to potential income limits, the maximum amount you can contribute to a traditional IRA or a Roth IRA in 2020 is $6,000 (or 100% of your earned income, if less), unchanged from 2019. The maximum catch-up contribution for those age 50 or older remains at $1,000.

Employer Retirement Plans

Most of the significant employer retirement plan limits for 2020 have increased. The maximum amount you can contribute (your "elective deferrals") to a 401(k), 403(b), and 457(b) plan is $19,500 in 2020 (up from $19,000 in 2019). If you're age 50 or older, you can also make catch-up contributions of up to $6,500 to these plans in 2020 (up from $6,000 in 2019). Special catch-up limits apply to certain participants in 403(b) and 457(b) plans.

If you participate in more than one retirement plan, your total elective deferrals can't exceed the annual limit ($19,500 in 2020 plus any applicable catch-up contributions). Deferrals to 401(k) plans, 403(b) plans, and SIMPLE plans are included in this aggregate limit, but deferrals to Section 457(b) plans are not. The amount you can contribute to a SIMPLE IRA is $13,500 in 2020 (up from $13,000 in 2019), and the catch-up limit for those age 50 or older remains at $3,000.

The maximum combined employee and employer contributions that can be allocated to your account in a defined contribution plan (e.g., a 401(k) plan or profit-sharing plan) in 2020 is $57,000 (up from $56,000 in 2019) plus age 50 catch-up contributions (e.g., $6,500 for a 401(k) plan, for a maximum combined $63,500).

Note: Although not considered a retirement account, the triple tax advantaged **Health Savings Account (HSA**) maximums increased by $50 for a single plan to $3,550 ($4,550 if age 55 or older). For family plans, maximums are increased by $100 to $7,100 ($8,100 if age 55 or older.)

The SECURE Act and Your Retirement Savings

The Setting Every Community Up for Retirement Enhancement (SECURE) Act was enacted in December 2019 as part of a larger federal spending package. This long-awaited legislation expands savings opportunities for workers and includes new requirements and incentives for employers that provide retirement benefits. At the same time, it restricts a popular estate planning strategy for individuals with significant assets in IRAs and employer-sponsored retirement plans.

Here are some of the changes that may affect your retirement, tax, and estate planning strategies. All of these provisions were effective January 1, 2020, unless otherwise noted.

Benefits for Retirement Savers

Later Required Minimum Distributions (RMDs). Individuals born on or after July 1, 1949 (those not having turned 70 ½ prior to Jan 1, 2020), can wait until age 72 to take required RMDs from traditional IRAs and employer-sponsored retirement plans instead of starting them at age 70½ as required under previous law. As in the prior laws, the 1st RMD can be delayed until no later than April 1 of the following year; however, this means taking two RMDs in the year that the 1st RMD is delayed to. Being able to start RMDs at 72 may be advantageous for individuals who don't need the withdrawals for living expenses, because it postpones payment of income taxes and gives the account a longer time to pursue tax-deferred growth. As under previous law, participants may be able to delay taking withdrawals from their current employer plan as long as they are still working and don't own over 5% of the company sponsoring the plan. Although delaying until 72 may be beneficial, other considerations (e.g., the new rules for certain beneficiaries highlighted below) may suggest that IRA distributions be taken sooner even if there are other assets to draw upon for living expenses.

No traditional IRA age limit for contributions. Starting for tax year 2020, there is no longer a prohibition on contributing to a traditional IRA after age 70 ½. Taxpayers can make contributions at any age as long as they have earned income and stay within the income limits. This helps older workers who want to save while reducing their taxable income. Keep in mind that contributions to a traditional IRA only defer taxes. In some cases, contributions to a Roth IRA while still working may be a better option depending on what marginal tax bracket one might be in both currently and might expect to be in during retirement.

No "Lifetime Stretching" for Certain Beneficiaries

Under previous law, **non-spouse** beneficiaries who inherited assets in employer plans and IRAs could "stretch" RMDs — and the tax obligations associated with them — over their lifetimes. The new law for most employer plans (exception is 403(b), 457(b), and TSP plans with new rules starting January 1, 2022) and IRAs whose owner passes in 2020 or later generally requires a beneficiary who is more than 10 years younger than the origi-

nal account owner to liquidate the inherited account within 10 years (with no set schedule during those 10 years). Exceptions include a spouse, a disabled or chronically ill individual, and a minor child if inherited from a parent only. The 10-year "clock" will begin when a minor child reaches the age of majority (18 in all states except Nebraska, Alabama, and Mississippi). Although not yet clearly defined, the age of majority may be extended if the child is under 26 and in college. For beneficiaries already receiving required distributions prior to 2020, the distribution rules for those individuals have not changed.

For larger retirement plans and traditional IRAs (e.g., a million dollars or higher in total), this shorter distribution period could result in bigger tax bills for many non-spouse beneficiaries who inherit such accounts in 2020 or beyond. The 10-year liquidation rule also applies to IRA trust beneficiaries, which may conflict with the reasons a trust was originally created. Many trusts for retirement plan distributions were set up as "conduit" or "passthrough" trusts such that distributions followed the RMD rules, which could now be problematic. Trusts may need to have the flexibility to be considered an "accumulation or discretionary trust" giving trustees the option to have beneficiaries or the trust receive distributions such that the trust could be viable beyond 10 years. If trusts are currently set as beneficiary to such accounts, one should revisit estate plans to see if any changes should be made.

For account holders and future beneficiaries, tax bracket optimization and strategic IRA/qualified plan withdrawals likely become even more important than in the past. Beneficiary and contingent beneficiary designations should be revisited if the new 10-year liquidation rule could result in a tax problem and/or equitability becomes an issue when other assets are passed on among multiple beneficiaries. For example, a spouse inheriting a large IRA may not need all the future distributions from such account to cover any possible expenses, and as such may want to disclaim part of such inherited IRA to children listed as contingent beneficiaries to stretch out taxable payments over more people and more years. Since there is no annual RMD requirement for most non-spouse beneficiaries, other than to completely withdraw all funds within 10 years after the year the account owner passes, such beneficiaries should have an understanding of how distributions can impact taxes.

Roth IRAs potentially become even more attractive. The new laws may require a reconsideration of how IRA dollars fit into your overall retirement and estate plan. The new laws may reinforce the strategy of converting traditional IRA funds to a Roth IRA, in which all withdrawals in the future, whether by owner or beneficiary, could be tax-free. As a Roth IRA owner (or surviving spouse that has rolled over a Roth to his or her own), there is still no requirement to take an RMD, and since all withdrawals are not taxed, having full flexibility to take out tax free withdrawals can be very beneficial when, for example, a large expenditure in retirement is needed. If only traditional IRA funds are available to cover extra expenses, then such withdrawals might put one in a higher marginal tax bracket and possibly in a higher Medicare Premium bracket. Roth IRA conversions are taxable events; however, if one spreads out conversions and can possibly convert in low tax bracket years (e.g., between retirement and age 70 when maximum Social security kicks in or at age 72 when RMDs start), overall taxes paid in the long run might be less, especially if Roth IRAs are held for the long haul where the tax free compounding of positive returns could play out. Tax bracket management and cash flow analysis is key in justifying conversions, and although laws could be changed, the current tax bracket rates are lower than the rates that are currently set to go back to in 2026. In most cases it is easy to justify filling up the current 12% marginal tax bracket, whether from extra IRA distributions/Roth conversions and/or the realizing of capital gains at a 0% federal tax rate. Filling up the current 22% or 24% marginal brackets can also make sense for more affluent households; however, other costs could come into play such as a 3.8% Net Investment Income Tax on taxable dividends and capital gains above a certain income level, and the possibility that Medicare Part B and D premiums could go up, although it may only be for limited years (see more information under Medicare section). Spouses inheriting a sizable traditional IRA could also be in a higher tax bracket as a single filer based on the compressed brackets, so ideal times to convert might be while both spouses are alive. If Roth IRA dollars are passed to a non-spouse beneficiary (or passed on to a spouse who then passes on dollars to children or grandchildren subject to the 10 year rule), the 10 year rule for most non-spouse beneficiaries says that you could let all gains continue to grow tax free until the end of the 10th year, and then close out the Roth IRA with one tax free distribution. Such proceeds could be reinvested in a taxable brokerage account that, if in a high marginal tax bracket, could include tax efficient choices such as individual stocks, equity index funds/ETF's, and municipal bonds/funds.

State tax deductions for social security/pension/IRA distributions can increase benefits. Many states offer tax breaks if tapping pension and retirement accounts at certain ages. For example, in CO if you are 65 and older you can exclude up to $24,000 of such qualified income from state taxation ($20,000 if between ages 55 and 65). This includes the taxable income from IRA to Roth conversions. When one starts Social Security, the $24,000 CO deduction is often filled up by taxable Social Security (in most cases 85% of the gross benefit) such that all future IRA withdraws from a traditional IRA are fully taxable in the state.

Review 401(k) contributions options if Roth component is available. Many larger corporate 401(k) plans are beginning to offer Roth options to their plans such that splitting contributions between normal tax-deductible contributions and Roth contributions may be desirable depending on one's age and what tax bracket one is in and might expect to be at in the future. A possible strategy might be to contribute to the deductible 401(k) option to at least get any company match and consider additional contributions to the Roth component.

Qualified Charitable Distribution (QCD) still in play: For those over 70 ½ (this age hurdle did not change) the ability as an account owner or beneficiary to have normally taxable RMD distributions go directly to one or several charities to avoid taxation continues to be a good strategy for those who are charitably inclined with sufficient assets to cover other financial goals. This is especially true in light of the current tax laws comparing the Standard Deduction to the potential of taking Itemized Deductions, in which it might be difficult to get any tax deduction for donating cash to the charity, unless a bunching strategy is used. **New rule caution**: If working after age 70 ½, contrib-

uting to a tax-deductible IRA after age 70 ½ (now allowed for 2020 tax years and beyond) will likely reduce the tax benefit of subsequent QCDs up to the level of the post 70 ½ IRA contributions made. Alternate strategies could be used to eliminate this disadvantage, such as one spouse doing the deductible IRA contributions and the other spouse doing the QCDs. Also, contributing to Roth IRAs (if eligible based on staying below a certain income level) will not have an impact on subsequent QCDs. Finally, there may be another option to use Donor Advised Funds to transfer appreciated investments from a taxable account as a charitable bunching strategy rather than using QCDs. Selling such appreciated investments in a Donor Advised Fund will avoid any capital gains tax.

Other Notable Secure Act Law Changes

Tax breaks for special situations. For the 2019 and 2020 tax years, taxpayers may deduct unreimbursed medical expenses that exceed 7.5% (not the jump to 10% in prior law) of their adjusted gross income. Other changes include an increased potential to avoid the 10% penalty for withdrawals from tax-deferred accounts if under age 59 ½ when used for medical and childbirth expenses.

Tweaks to promote saving. To help workers track their retirement savings progress, employers must provide participants in defined contribution plans with annual statements that illustrate the value of their current retirement plan assets, expressed as monthly income received over a lifetime. Some plans with auto-enrollment may now automatically increase participant contributions until they reach up to 15% of salary, although employees can opt out.

More part-timers gain access to retirement plans. For plan years beginning on or after January 1, 2021, part-time workers age 21 and older who log at least 500 hours annually for three consecutive years generally must be allowed to contribute to qualified retirement plans. However, employers will not be required to make matching or nonelective contributions on their behalf.

Increased tax credits for certain employers setting up new qualified retirement plans. For small businesses starting a new retirement plan that has at least one non-highly compensated employee (employee also can't be a 5% or higher owner or spouse of such owner), a tax credit can apply that is equal to the greater of (1) $500 or (2) $250 times the number of non-highly compensated eligible employees or $5,000, whichever is less. There is also a new tax credit of up to $500 for employers that launch a SIMPLE IRA or 401(k) plan with automatic enrollment (can be added to a plan set up before 2020). Also, the deadline to open most retirement plans and make employer contributions is extended to as late as the business tax filing deadline plus any extensions.

Kiddie Tax. The old "Kiddie tax" rules (prior to 2018) now apply such that unearned income for certain children will be taxed at the parent's marginal tax rates and not trust rates. 2019 tax filers will have the option to use either set of laws.

Planning Around Medicare Premiums

When one is on, or within a couple years of being on Medicare there are different combinations of premiums that need to be planned around. Although Medicare Part A (for hospital coverage) rarely includes premium payments, Medicare Part B (non-hospital medical coverage) and Medicare Part D (prescription drug coverage) almost always require premium payments and such premiums can vary depending on income levels. Medigap policies are supplemental policies always requiring premiums, but do not vary based on income. Although this newsletter does not provide information about other potential medical costs while on Medicare (e.g., deductibles, copays, and non-covered expenses), a future newsletter will likely review such costs and provide information on the different Medicare options and key dates surrounding such options.

Medicare Part B premiums. According to the Centers for Medicare & Medicaid Services (CMS), most people with Medicare will pay the standard monthly Part B premium of $144.60 in 2020. This is an increase of 6.7% from the 2019 standard rate of $135.50. However, if your premiums are deducted from your Social Security benefits, and the cost-of-living increase in your benefit payments for 2020 will not be enough to cover the Medicare Part B increase, then you may pay less than the standard Part B premium.

People with higher incomes may pay more than the standard premium. If your modified adjusted gross income (MAGI) as reported on your 2018 federal income tax return (usually take AGI figure and add back tax-exempt interest/dividends) is above a certain amount, you'll pay the standard premium amount and an Income Related Monthly Adjustment Amount (IRMAA), which is an extra charge added to your premium, as shown in the following table.

You filed an individual income tax return with MAGI that was:	You filed a joint income tax return with MAGI that was:	You filed an income tax return as married filing separately with MAGI that was:	Monthly premium in 2020 including any IRMAA is:
$87,000 or less	$174,000 or less	$87,000 or less	$144.60 ($0 IRMAA)
Above $87,000 up to $109,000	Above $174,000 up to $218,000	N/A	$202.40 ($57.80 IRMAA)
Above $109,000 up to $136,000	Above $218,000 up to $272,000	N/A	$289.20 ($144.60 IRMAA)
Above $136,000 up to $163,000	Above $272,000 up to $326,000	N/A	$376.00 ($231.40 IRMAA)
Above $163,000 and less than $500,000	Above $326,000 and less than $750,000	Above $87,000 and less than $413,000	$462.70 ($381.10 IRMAA)
$500,000 and above	$750,000 and above	$413,000 and above	$491.60 ($347 IRMAA)

Part D (Prescription Drug) premium adjustment. The above MAGI levels also determine if there is an IRMAA that is in addition to the plan premium for Part D. For each level above starting with the 2nd category (e.g., where part B premiums are $202,40), the additional part D premium amounts are $12.20, $31.50, $50.70, $70.00, and $76,40 respectively for 2020 based on 2018 MAGI.

Tax bracket management for Medicare premiums. Since Medicare Part B and Part D premium levels may adjust based on income from prior tax returns (e.g., 2020 MAGI on tax return will determine 2022 premium levels) more affluent households can attempt to stay under certain income levels to avoid the

next bump in IRMAA. For example, assuming that bracket levels and IRMAA amounts stay the same in the future, a married couple both on Medicare Parts B and D can, by staying at or below $174,000 of MAGI, save $1,680 in total 2022 premiums by not having any extra income that bumps them up into the next level. For a married couple staying at or below the $218,000 MAGI level, premiums saved by not going into the next level are $2,546 for the year. Premiums can adjust every year (up or down) based on the MAGI from tax returns two-year prior. If your income levels while on Medicare are likely to be close to approaching a certain IRMAA level for multiple years, then strategies to stay below the higher brackets might include some of the same strategies that one might use to stay below certain marginal tax bracket levels for the long term, such as:

- Strategic withdrawal strategies from a variety of account types.
- Converting traditional IRA dollars to Roth IRAs in lower income years.
- Strategic allocation of investments between retirement accounts and non-retirement accounts (e.g., more stocks and equity index funds in taxable accounts, more active mutual funds and taxable bond/bond funds in tax deferred accounts).
- For the charitably minded with more than enough assets to cover all possible retirement expenses, using QCDs to reduce MAGI.

Appealing Medicare premiums subject to IRMAA. If Social Security determines that you should pay an IRMAA, they will mail you a notice called an initial determination. This notice should include information on how to request a new initial determination. You can request that Social Security revisit its decision if you have experienced a life-changing event that caused an income decrease that would likely not have put you over a certain level subject to higher premiums. Beside a life-changing event, it's possible that you have an amended return or a more recent return (than what the SS office is basing its calculations on) that shows a lower income that would take you below an income hurdle that caused the increase. Social Security considers any of the following situations to be life-changing events:

- The death of a spouse
- Marriage
- Divorce or annulment
- Work stoppage or work reduction of either spouse
- Involuntary loss of income-producing property due to a natural disaster, disease, fraud, or other circumstances (includes loss of pension)

To request a new initial determination based on a life-changing event, submit a Medicare IRMAA Life-Changing Event form (form SSA-44 found at ssa.gov/forms) or schedule an appointment with Social Security. You will need to provide documentation of either your correct income or of the life-changing event that caused your income to decrease.

Deducting Medicare premiums. For those that are not self-employed and on Medicare the only possibility to deduct premium payments on a tax return is if such premiums along with all other qualified out of pocket medical expenses could pass two tests. This includes the hurdle that one could potentially deduct only medical expenses being above 7.5% of Adjusted Gross Income (AGI) for 2019 and 2020 (above 10% of AGI starting in 2021), and if such deductible expenses along with other potential itemized deductions exceeded the Standard Deduction. With the Standard Deduction having been doubled starting in 2018 and some potential itemized deductions being eliminated, it is now much more likely that one will take the Standard Deduction and not itemize. **A likely better option for the Self-employed:** If one (along with a spouse) is not participating in any subsidized health plan through an outside employer and one is self-employed as a sole proprietor, as a partner in a partnership, or as a S-corporation owner with greater than 2% ownership, Medicare premiums (along with any other health insurance and qualified long term care premiums) for oneself, a spouse, and dependents may be able to be reported as a "self-employed health insurance" deduction, which is an adjustment to income (or "above the line" deduction) and not subject to the previously mentioned tests. Although there is no dollar limit to the self-employed health insurance deduction, the deduction is limited to your net profit from self-employment. Also, more than 2-percent S corporation shareholder/employees and partners in a partnership must follow a special procedure that involves running premiums through the corporation/partnership. For more information on potential Medical and Dental expense deductions see IRS Publication 502 and/or consult with your tax professional.

In summary, planning for Medicare can potentially save premium costs over multiple years; however, this is just a small part of the overall retirement and tax planning thought process. The SECURE act can require additional planning across multiple generations. We look forward to continuing to help you plan and implement strategies that best position you and your loved ones to reach long-term financial goals!

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Key Numbers 2020 | Tax reference numbers at a glance.

Income Tax (2020 tax rate tables)

Taxable income	Tax due	*plus*	% of income*
Single			
Up to $9,875	$0	+	10%
$9,875 to $40,125	$987.50	+	12%
$40,125 to $85,525	$4,617.50	+	22%
$85,525 to $163,300	$14,605.50	+	24%
$163,300 to $207,350	$33,271.50	+	32%
$207,350 to $518,400	$47,367.50	+	35%
Over $518,400	$156,235.00	+	37%
Married filing jointly			
Up to $19,750	$0	+	10%
$19,750 to $80,250	$1,975.00	+	12%
$80,250 to $171,050	$9,235.00	+	22%
$171,050 to $326,600	$29,211.00	+	24%
$326,600 to $414,700	$66,543.00	+	32%
$414,700 to $622,050	$94,735.00	+	35%
Over $622,050	$167,307.50	+	37%
Married filing separately			
Up to $9,875	$0	+	10%
$9,875 to $40,125	$987.50	+	12%
$40,125 to $85,525	$4,617.50	+	22%
$85,525 to $163,300	$14,605.50	+	24%
$163,300 to $207,350	$33,271.50	+	32%
$207,350 to $311,025	$47,367.50	+	35%
Over $311,025	$83,653.75	+	37%
Head of household			
Up to $14,100	$0	+	10%
$14,100 to $53,700	$1,410.00	+	12%
$53,700 to $85,500	$6,162.00	+	22%
$85,500 to $163,300	$13,158.00	+	24%
$163,300 to $207,350	$31,830.00	+	32%
$207,350 to $518,400	$45,926.00	+	35%
Over $518,400	$154,793.50	+	37%

*The percentage applies to each dollar of taxable income within the range until the next income threshold is reached.

Standard Deduction

Single	$12,400
Married filing jointly	$24,800
Married filing separately	$12,400
Head of household	$18,650
Dependent*	$1,100*

Additional deduction for blind or aged (over age 65)	
Single or head of household	$1,650
Married filing jointly or separately	$1,300

*Dependent standard deduction is the greater of $1,100 or $350 plus earned income.

Alternative Minimum Tax (AMT)

	Maximum exemption amount	Exemption phaseout threshold
Single or head of household	$72,900	$518,400
Married filing jointly	$113,400	$1,036,800
Married filing separately	$56,700	$518,400

26% rate applies to AMT income up to $197,900*
28% rate applies to AMT income over $197,900*

*$98,950 if married filing separately.

Education Credits and Deductions

MAGI phaseout ranges	Single or head of household	Married filing jointly
Lifetime Learning credit **($2,000 max)**	$59,000 to $69,000	$118,000 to $138,000
American Opportunity credit **($2,500 max)**	$80,000 to $90,000	$160,000 to $180,000
Education loan interest deduction **($2,500 max)**	$70,000 to $85,000	$140,000 to $170,000
U.S. Savings bond interest exclusion for higher-education expenses	$82,350 to $97,350	$123,550 to $153,550

Estate Planning

Annual gift tax exclusion	$15,000
Noncitizen spouse annual gift tax exclusion	$157,000
Top gift, estate, and GST tax rate	40%
Gift tax and estate tax applicable exclusion amount	$11,580,000 + DSUEA*
Generation-skipping transfer (GST) tax exemption	$11,580,000**

* Basic exclusion amount plus deceased spousal unused exclusion amount (exclusion is portable).
**The GST tax exemption is not portable.

Retirement Planning

Employee contribution limits to employer plans*	
401(k) plans, 403(b) plans, 457(b) plans, and SAR-SEPs (includes Roth contributions to these plans)	$19,500
Annual catch-up contribution (age 50+)	$6,500
SIMPLE 401(k) and SIMPLE IRA plans	$13,500
Annual catch-up contribution (age 50+)	$3,000
IRA contribution limits**	
Traditional and Roth IRAs (combined)	$6,000
Annual catch-up contribution (age 50+)	$1,000

* Lesser of these limits or 100% of participant's compensation.
** Lesser of these limits or 100% of earned income.

MAGI phaseout limits for deductible contributions to a traditional IRA (affects taxpayers covered by an employer-sponsored retirement plan)	
Single or head of household	$65,000 to $75,000
Married filing jointly when the spouse who makes the contribution is covered by a workplace plan	$104,000 to $124,000
Married filing jointly when the spouse who makes the contribution is not covered by a workplace plan but the other spouse is covered	$196,000 to $206,000
Married filing separately	Up to $10,000

MAGI phaseout limits to contribute to a Roth IRA	
Single or head of household	$124,000 to $139,000
Married filing jointly	$196,000 to $206,000
Married filing separately	Up to $10,000

Health Care

Flexible spending account (FSA) for health care	
Maximum salary reduction contribution	$2,750
Health savings account (HSA)	
Annual contribution limit — individual coverage	$3,550
Annual contribution limit — family coverage	$7,100
Annual catch-up contribution (age 55+)	$1,000
High-deductible health plan (HDHP)	
Minimum deductible — individual coverage	$1,400
Minimum deductible — family coverage	$2,800
Maximum out-of-pocket amount — individual	$6,900
Maximum out-of-pocket amount — family	$13,800

Social Security/Medicare

Maximum taxable earnings	
Social Security (OASDI only)	$137,700
Medicare (HI only)	No limit

Standard Mileage Rates

Business purposes	57.5¢ per mile
Medical purposes	17¢ per mile
Charitable purposes	14¢ per mile
Moving purposes	17¢ per mile

Investment Taxes

Single filer	Married filing jointly	Married filing separately	Head of household	Tax rate
Long-term capital gain & qualified dividend tax (taxable income thresholds)				
Up to $40,000	Up to $80,000	Up to $40,000	Up to $53,600	0%
$40,001 up to $441,450	$80,001 up to $496,600	$40,001 up to $248,300	$53,601 up to $469,050	15%
More than $441,450	More than $496,600	More than $248,300	More than $469,050	20%
Net investment income tax (MAGI thresholds)				
Over $200,000	Over $250,000	Over $125,000	Over $200,000	3.8%*

*The 3.8% net investment income tax (also referred to as the unearned income Medicare contribution tax) applies to the lesser of (a) net investment income or (b) modified adjusted gross income (MAGI) exceeding the above thresholds. It does not apply to municipal bond interest or qualified retirement plan/IRA withdrawals.

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