

Numerous tax limits affecting businesses have increased for 2020

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An array of tax-related limits that affect businesses are annually indexed for inflation, and many have increased for 2020. Here are some that may be important to you and your business.

Social Security tax

The amount of employees' earnings that are subject to Social Security tax is capped for 2020 at \$137,700 (up from \$132,900 for 2019).

Deductions

- Section 179 expensing:
 - Limit: \$1.04 million (up from \$1.02 million for 2019)
 - Phaseout: \$2.59 million (up from \$2.55 million)
- Income-based phase-out for certain limits on the Sec. 199A qualified business income deduction begins at:
 - Married filing jointly: \$326,600 (up from \$321,400)
 - Married filing separately: \$163,300 (up from \$160,725)
 - Other filers: \$163,300 (up from \$160,700)

Retirement plans

- Employee contributions to 401(k) plans: \$19,500 (up from \$19,000)
- Catch-up contributions to 401(k) plans: \$6,500 (up from \$6,000)
- Employee contributions to SIMPLEs: \$13,500 (up from \$13,000)
- Catch-up contributions to SIMPLEs: \$3,000 (no change)
- Combined employer/employee contributions to defined contribution plans (not including catch-ups): \$57,000 (up from \$56,000)
- Maximum compensation used to determine contributions: \$285,000 (up from \$280,000)
- Annual benefit for defined benefit plans: \$230,000 (up from \$225,000)
- Compensation defining a highly compensated employee: \$130,000 (up from \$125,000)
- Compensation defining a "key" employee: \$185,000 (up from \$180,000)

Other employee benefits

- Qualified transportation fringe-benefits employee income exclusion: \$270 per month (up from \$265)

- Health Savings Account contributions:
 - Individual coverage: \$3,550 (up from \$3,500)
 - Family coverage: \$7,100 (up from \$7,000)
 - Catch-up contribution: \$1,000 (no change)

- Flexible Spending Account contributions:
 - Health care: \$2,750 (up from \$2,700)
 - Dependent care: \$5,000 (no change)

These are only some of the tax limits that may affect your business and additional rules may apply. If you have questions, please contact us.

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