

2020 Contribution Limits and Tax Reference Guide

The tax information provided in this Tax Reference Guide is a high-level summary of certain tax rules. The rules described below are highly complex and exceptions may apply (only certain of which are addressed in this guide). In using this Tax Reference Guide, you should confirm with a tax advisor whether and how the rules noted below apply to your particular circumstances. You should consult with your tax advisor as to any changes regarding the information provided herein.

Tax-advantaged accounts: retirement plans

Traditional IRA contribution limits

Under age 50 for entire calendar year	\$6,000*
Age 50 and above at any time during calendar year	\$7,000**
Phase-out ranges for traditional IRA contribution deductibility	
Married, filing jointly and qualifying widow(er)	\$104,000 - \$124,000 MAGI***
Married, filing separately	\$0 - \$10,000 MAGI****
Single and head of household	\$65,000 - \$75,000 MAGI
Spousal IRA, filing jointly, IRA of nonparticipant	\$196,000 - \$206,000 MAGI

An IRA owner with sufficient taxable compensation can make a fully deductible contribution, regardless of his/her MAGI, if neither he/she nor his/her spouse (if married) is an "active participant" in an employer plan. If one or both are active plan participants, the above deductibility phase-out ranges apply. Full deduction is permitted below phase-out range. Scaled partial deduction is permitted within range. No deduction is permitted above range. IRA owners not eligible for deductible contributions may make nondeductible contributions up to the annual limit. These annual limits are an aggregate limit, including both Roth and traditional IRA contributions.

* Or 100% of taxable compensation, whichever is less. ** Includes \$1,000 catch-up contribution. *** Modified adjusted gross income. **** If married, filing separately, but live apart for the entire calendar year, then phase-out ranges for single filing status apply.

Roth IRA contribution limits

Under age 50 for entire calendar year	\$6,000*
Age 50 and above at any time during calendar year	\$7,000**
Phase-out ranges for Roth IRA contribution eligibility	
Married, filing jointly and qualifying widow(er)	\$196,000 - \$206,000 MAGI
Married, filing separately	\$0 - \$10,000 MAGI***
Single and head of household	\$124,000 - \$139,000 MAGI

Roth conversion income is not included in MAGI. Full contribution is permitted below phase-out range. Scaled partial contribution is permitted within range. No contribution is permitted above range. These annual limits are an aggregate limit, including both Roth and traditional IRA contributions.

* Or 100% of taxable compensation, whichever is less. ** Includes \$1,000 catch-up contribution. *** If married, filing separately, but live apart for entire calendar year, then phase-out ranges for single filing status apply.

Roth IRA conversions

All filing statuses	No MAGI limit
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Defined benefit plan annual benefit limit

- Generally, lesser of \$230,000 or 100% of the participant's average compensation for his/her three high consecutive years of active plan participation.

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Tax-advantaged accounts: retirement plans (continued)

SEP IRA contribution limits

- Discretionary employer contributions of up to the lesser of (i) \$57,000 or (ii) 25% of employee compensation or 20% of net earnings from self-employment (as determined under the SEP IRA rules).*
- A minimum of \$600 in compensation may be required to participate in SEP.

* A maximum compensation cap of \$285,000 per participant applies.

401(k), 403(b)*, 457(b)**, SARSEP*** contribution limits

Maximum salary deferral

Under age 50 for entire calendar year	\$19,500****
Age 50 and above at any time during calendar year	\$26,000*****

Maximum contributions

- Maximum total contributions per employee are limited to the lesser of \$57,000 or 100% of compensation, and compensation taken into account for retirement plan contributions is capped at \$285,000 per employee.
- 401(k) salary deferrals and employer contributions to profit-sharing plans are aggregated for purposes of this limit; catch-up contributions do not count against this limit.

* Employees of certain organizations may be eligible to contribute greater catch-up amounts. Merrill Lynch is no longer accepting additional contributions to 403(b) plans.**\$6,500 catch-up contribution is not available under non-governmental 457(b) plans. Special additional catch-up contribution amounts may be available under 457(b) plans. Unless a catch-up provision applies, total employee and employer contributions to a 457(b) plan may not exceed \$19,500 in 2020. Merrill Lynch does not offer 457(b) plans. *** SARSEP employee contributions (other than catch-up contributions) are limited to the lesser of \$19,500 or 25% of compensation. The employer contribution limit for SEP IRAs and total contribution limit described elsewhere on this page also apply for a SARSEP. **** In Puerto Rico, the maximum 401(k) deferral for plans that are not dual-qualified is generally \$15,000. ***** Includes \$6,500 catch-up contribution (In Puerto Rico, the 401(k) catch-up contribution limit for plans that are not dual-qualified is generally \$1,500). These Puerto Rico amounts are applicable for 2017. Once the Puerto Rican tax authorities publish the amounts applicable for 2018, this Guide will be updated to reflect them.

SIMPLE IRA salary deferral contributions

Under age 50 for entire calendar year	\$13,500
Age 50 and above at any time during calendar year	\$16,500*

* Includes \$3,000 catch-up contribution.

Highly compensated employee

- A highly compensated employee for 2020 is a person who (1) was a 5% owner at any time during 2019 or 2020 or (2) for 2019 received more than \$125,000 in compensation from the employer and, if the employer elects, also was in the "top-paid group" (top 20%) of employees for 2019.**
- Key employee – officer for top heavy testing: \$185,000

* In Puerto Rico, no "top-paid" election is available.

These Puerto Rico amounts are applicable for 2017. Once the Puerto Rican tax authorities publish the amounts applicable for 2018, this Guide will be updated to reflect them.

** For purposes of identifying a highly compensated employee for 2021, the compensation threshold is based on receiving more than \$130,000 in 2020.

Saver's tax credit*

Single taxpayers, qualifying widow(ers) and married individuals filing separately with MAGI at or below \$32,500, heads of household with MAGI at or below \$48,750 and joint filers with MAGI at or below \$65,000 may be eligible for a tax credit for their contributions to certain retirement and savings arrangements including a traditional or Roth IRA, SIMPLE IRA or SARSEP, ABLE account**, elective deferrals under a 401(k), 403(b) or governmental 457(b) plan and voluntary after-tax contributions to certain qualified retirement plans, in addition to any deduction or exclusion that would otherwise apply.

* The saver's tax credit is only available to taxpayers who are age 18 or older and are neither full time students nor claimed as a dependent on another person's return.

** Individual must be designated beneficiary of ABLE account.

Tax-advantaged accounts: education plans

Section 529 College Savings Account

No age or income restrictions for contributors or beneficiaries. Limitation on amount of contributions not subject to federal gift tax.

	Annual contribution*	Five-year contribution made in a single year**
Single	\$15,000 per beneficiary	\$75,000 per beneficiary
Married couple	\$30,000	\$150,000

* Contributions are completed gifts subject to the annual federal gift tax exclusion and are removed from the contributor's federal estate. **Contributions between \$15,000 and \$75,000 (\$30,000 and \$150,000 for married couples electing to split gifts) made in one year can be prorated over a five-year period without subjecting you to federal gift tax or reducing your federal unified estate and gift tax credit. If you contribute less than the \$75,000 (\$150,000 for married couples electing to split gifts) maximum, additional contributions can be made without you being subject to federal gift tax, up to a prorated level of \$15,000 (\$30,000 for married couples electing to split gifts) per year. Federal gift taxation may result if a contribution exceeds the available annual gift tax exclusion amount remaining for a given beneficiary in the year of contribution. For contributions between \$15,000 and \$75,000 (\$30,000 and \$150,000 for married couples electing to split gifts) made in one year, if the account owner dies before the end of the five-year period, a prorated portion of the contribution may be included in his or her gross estate for federal estate tax purposes. Also, any appreciation allocable to the remaining years in the five-year period on the entire original gift is not considered part of the estate.

Section 529 plan tax treatment

Section 529 plan earnings have the potential to grow federal and, in most cases, state income tax free. Withdrawals, including any earnings, are also federal and, in most cases, state income tax free as long as the withdrawals

are used for qualified education expenses. The earnings portion of withdrawals for nonqualified expenses will be subject to federal income tax and potentially a 10% additional federal tax, and may also be subject to state income or other taxes.

As of January 1, 2018, distributions for tuition in connection with enrollment or attendance at an elementary or secondary public, private or religious school are federal income tax free up to a maximum of \$10,000 of such distributions for such tuition expenses per taxable year per designated beneficiary from all Section 529 accounts.

For distributions after December 31, 2018, legislation expands the expenses treated as qualified higher education expenses under Section 529 to include the following:

- expenses for fees, books, supplies and equipment required for the participation of a designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under the National Apprenticeship Act and
- amounts paid as principal or interest on any qualified education loans of either the designated beneficiary or sibling of the designated beneficiary up to a lifetime maximum of \$10,000 per individual. Distributions with respect to the loans of a sibling of the designated beneficiary will count towards the lifetime limit of the sibling, not the designated beneficiary. Such repayments may impact student loan interest deductibility.

State tax treatment may vary.

Additionally, 529 assets can now be rolled over into an Achieving a Better Life (ABLE) account of the designated beneficiary or certain members of the family federal tax free. Rollover amounts cannot exceed the ABLE account contribution limit.

Tax-advantaged accounts: education plans (continued)

Coverdell Education Savings Account

Beneficiaries under age 18 and special needs beneficiaries of any age (maximum contribution) \$2,000

Phase-out ranges for Coverdell ESA contribution eligibility

Single, head of household, and married, filing separately	\$95,000 - \$110,000 MAGI
Married, filing jointly	\$190,000 - \$220,000 MAGI

Student loans

Maximum student loan interest deduction \$2,500

Phase-out ranges for student loan interest deduction eligibility

Single and head of household	\$70,000 - \$85,000 MAGI
Married, filing jointly	\$140,000 - \$170,000 MAGI*

*Deduction not available if married, filing separately.

Lifetime Learning Credits

20% of first \$10,000 of qualified tuition and related expenses (max \$2,000) per tax return

Phase-out ranges for credit eligibility

Single and head of household	\$59,000 - \$69,000 MAGI
Married, filing jointly	\$118,000 - \$138,000 MAGI*

*Credit not available if married, filing separately.

American Opportunity Tax Credit

100% of first \$2,000 of qualified tuition and related expenses; plus 25% of such expenses above \$2,000 and up to \$4,000 (maximum credit is \$2,500) per eligible student

Phase-out ranges for credit eligibility

Single and head of household	\$80,000 - \$90,000 MAGI
Married, filing jointly	\$160,000 - \$180,000 MAGI*

*Credit not available if married, filing separately.

Phase-out of exclusion of U.S. savings bond income

By payor of qualified higher education expenses

Phase-out ranges for exclusion eligibility

Married, filing jointly (or for a qualified widow(er) with dependent child)	\$123,550 - \$153,550 MAGI*
All others	\$82,350 - \$97,350 MAGI

*Exclusion not available if married, filing separately.

HSA contribution and plan limits

HSA limits

The following table shows the minimum annual deductible and maximum annual deductible and other out-of-pocket expenses for high deductible health plans (HDHPs) for 2020, as well as the maximum annual HSA contribution.

	Minimum deductible	Maximum out-of-pocket*	Contribution limit	55+ contribution**
Single	\$1,400	\$6,900	\$3,550	\$1,000
Family	\$2,800	\$13,800	\$7,100	\$1,000

*These limits do not apply to deductibles and expenses for out-of-network services if the plan uses a network of providers. Instead, only deductibles and out-of-pocket expenses for services within the network should be used to figure whether the limits apply. **Turns age 55 or above at any time during the calendar year.

To be an eligible individual and qualify for an HSA, you must:

- be covered under an HDHP on the first day of the month
- have no other health coverage*
- not be enrolled in Medicare benefits
- not be claimed as a dependent on someone else's tax return

If you qualify for an HSA for only part of the calendar year, special rules apply to calculate your contribution limit. For more detailed information on HSAs and taxes, visit the Internal Revenue Service website at irs.gov or talk with your tax advisor.

*Coverage is permissible under certain limited arrangements, such as hospital indemnity and similar limited insurance arrangements and a limited-purpose health care flexible spending arrangement or health reimbursement arrangement.

Please consult with your own attorney or tax advisor to understand the tax and legal consequences of your HSA program offerings to your employees and your particular situation in your capacity as employer and/or plan administrator.

Federal tax brackets

Single

Taxable income over	But not over	Tax rate is
0	\$9,875	10%
\$9,875	\$40,125	\$987.50 plus 12%*
\$40,125	\$85,525	\$4,617.50 plus 22%*
\$85,525	\$163,300	\$14,605.50 plus 24%*
\$163,300	\$207,350	\$33,271.50 plus 32%*
\$207,350	\$518,400	\$47,367.50 plus 35%*
\$518,400		\$156,235 plus 37%*

* of the excess over the taxable income in the far left-hand column.

Married, filing jointly and qualifying widow(er)

Taxable income over	But not over	Tax rate is
0	\$19,750	10%
\$19,750	\$80,250	\$1,975 plus 12%*
\$80,250	\$171,050	\$9,235 plus 22%*
\$171,050	\$326,600	\$29,211 plus 24%*
\$326,600	\$414,700	\$66,543 plus 32%*
\$414,700	\$622,050	\$94,735 plus 35%*
\$622,050		\$167,307.50 plus 37%*

* of the excess over the taxable income in the far left-hand column.

Estates and trusts

Taxable income over	But not over	Tax rate is
\$0	\$2,600	10%
\$2,600	\$9,450	\$260 plus 24%*
\$9,450	\$12,950	\$1,904 plus 35%*
\$12,950		\$3,129 plus 37%*

* of the excess over the taxable income in the far left-hand column.

Head of household

Taxable income over	But not over	Tax rate is
0	\$14,100	10%
\$14,100	\$53,700	\$1,410 plus 12%*
\$53,700	\$85,500	\$6,162 plus 22%*
\$85,500	\$163,300	\$13,158 plus 24%*
\$163,300	\$207,350	\$31,830 plus 32%*
\$207,350	\$518,400	\$45,926 plus 35%*
\$518,400		\$154,793.50 plus 37%*

* of the excess over the taxable income in the far left-hand column.

Married, filing separately

Taxable income over	But not over	Tax rate is
0	\$9,875	10%
\$9,875	\$40,125	\$987.50 plus 12%*
\$40,125	\$85,525	\$4,617.50 plus 22%*
\$85,525	\$163,300	\$14,605.50 plus 24%*
\$163,300	\$207,350	\$33,271.50 plus 32%*
\$207,350	\$311,025	\$47,367.50 plus 35%*
\$311,025		\$83,653.75 plus 37%*

* of the excess over the taxable income in the far left-hand column.

Long-term capital gains and qualified dividend rates

Single

Taxable income over	But not over	Tax rate is
\$0	\$40,000	0%
\$40,000	\$441,450	15%
\$441,450		20%

Married, filing jointly and qualifying widow(er)

Taxable income over	But not over	Tax rate is
\$0	\$80,000	0%
\$80,000	\$496,600	15%
\$496,600		20%

Estates and trusts

Taxable income over	But not over	Tax rate is
\$0	\$2,650	0%
\$2,650	\$13,150	15%
\$13,150		20%

Head of household

Taxable income over	But not over	Tax rate is
\$0	\$53,600	0%
\$53,600	\$469,050	15%
\$469,050		20%

Married, filing separately

Taxable income over	But not over	Tax rate is
\$0	\$40,000	0%
\$40,000	\$248,300	15%
\$248,300		20%

Federal tax brackets (continued)

Long-term capital gains and qualified dividend rates

Married individuals filing jointly and qualifying widow(ers) with MAGI above \$250,000, married individuals filing separately with MAGI above \$125,000 and all other filers with MAGI above \$200,000 (the "threshold amounts") are subject to an additional 3.8% Net Investment Income Tax imposed on the lesser of (i) "net investment income" and (ii) the excess of MAGI over the applicable threshold amount.

Gains on collectibles	maximum 28%
Unrecaptured 1250 depreciation	maximum 25%

Kiddie Tax

Generally, the unearned income of a child is taxed according to the brackets applicable to trusts and estates.

Deductions

Standard deductions

Married, filing jointly and qualifying widow(er)	\$24,800
Single	\$12,400
Married, filing separately (assuming spouse does not itemize, otherwise \$0)	\$12,400
Head of household	\$18,650

Social Security

Maximum earnings subject to FICA	\$137,700
The Social Security portion of the employee FICA tax rate is 6.2%.	

Post-retirement

The amount of Social Security benefit payments (if any) subject to tax depends on the amount of the taxpayer's combined income (MAGI* plus one-half of the Social Security benefits).

If you:

- **File a federal tax return as single or head of household** and your **combined income** is
 - between \$25,000 and \$34,000, you may have to pay income tax on up to 50 percent of your benefits.
 - more than \$34,000, up to 85 percent of your benefits may be taxable.
- **File as married, filing jointly**, and you and your spouse have a **combined income** that is
 - between \$32,000 and \$44,000, you may have to pay income tax on up to 50 percent of your benefits.
 - more than \$44,000, up to 85 percent of your benefits may be taxable.
- **File as married, filing separately**, you probably will pay taxes on your benefits.

*MAGI is calculated as AGI plus tax-exempt income plus certain other adjustments.

Certain provisions of the Internal Revenue Code and/or IRS guidance do not specifically address the "qualifying widower" filing status and, consequently, the application of such provisions to that status is not addressed herein.

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