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## 2020 Tax Brackets

### Single Filers

Tax Rate	Taxable Income Bracket	Tax Owed
10%	\$0 to \$9,875	10% of taxable income
12%	\$9,876 to \$40,125	\$987.50 plus 12% of the amount over \$9,875
22%	\$40,126 to \$85,525	\$4,617.50 plus 22% of the amount over \$40,125
24%	\$85,526 to \$163,300	\$14,605.50 plus 24% of the amount over \$85,525
32%	\$163,301 to \$207,350	\$33,271.50 plus 32% of the amount over \$163,300
35%	\$207,351 to \$518,400	\$47,367.50 plus 35% of the amount over \$207,350
37%	\$518,401 or more	\$156,235 plus 37% of the amount over \$518,400

### Married Filing Jointly

Tax rate	Taxable Income Bracket	Tax owed
10%	\$0 to \$19,750	10% of taxable income
12%	\$19,751 to \$80,250	\$1,975 plus 12% of the amount over \$19,750
22%	\$80,251 to \$171,050	\$9,235 plus 22% of the amount over \$80,250
24%	\$171,051 to \$326,600	\$29,211 plus 24% of the amount over \$171,050
32%	\$326,601 to \$414,700	\$66,543 plus 32% of the amount over \$326,600
35%	\$414,701 to \$622,050	\$94,735 plus 35% of the amount over \$414,700
37%	\$622,051 or more	\$167,307.50 plus 37% of the amount over \$622,050

### Married filing Separately

Tax rate	Taxable Income Bracket	Tax owed
10%	\$0 to \$9,875	10% of taxable income
12%	\$9,867 to \$40,125	\$987.50 plus 12% of the amount over \$9,875
22%	\$40,126 to \$85,525	\$4617.50 plus 22% of the amount over \$40,125
24%	\$85,526 to \$163,300	\$14605.50 plus 24% of the amount over \$85525
32%	\$163,301 to \$207,350	\$33,271.50 plus 32% of the amount over \$163,000
35%	\$207,351 to \$311,025	\$47367.50 plus 35% of the amount over \$207,350
37%	\$311,026 or more	\$83,653.75 plus 37% of the amount over 311,025

## Head of Household

Tax rate	Taxable Income Bracket	Tax owed
10%	\$0 to \$14,000	10% of taxable income
12%	\$14,101 to 53,700	\$1410 plus 12% of the amount over \$14,100
22%	\$53,701 to \$85,500	\$6162 plus 22% of the amount over \$53,700
24%	\$85,501 to \$163,300	\$13158 plus 24% of the amount over \$85,500
32%	\$163,301 to \$207,350	\$31830 plus 32% of the amount over \$163,300
35%	\$207,351 to \$518,400	\$45926 plus 35% of the amount over \$207,350
37%	\$518,401 or more	\$154793.50 plus 37% of the amount over \$518,400

## How tax brackets work

The United States has a progressive tax system, meaning people with higher taxable incomes pay higher federal income tax rates.

- **Being "in" a tax bracket doesn't mean you pay that federal income tax rate on everything you make.** The progressive tax system means that people with higher taxable incomes are subject to higher federal income tax rates, and people with lower taxable incomes are subject to lower federal income tax rates.
- **The government decides how much tax you owe by dividing your taxable income into chunks** — also known as tax brackets — and each chunk gets taxed at the corresponding tax rate. The beauty of this is that no matter which bracket you're in, you won't pay that tax rate on your entire income. (This is the idea behind the concept of effective tax rate.)
- **Example #1:** Let's say you're a single filer with \$32,000 in taxable income. That puts you in the 12% tax bracket in 2020. But do you pay 12% on all \$32,000? No. Actually, you pay only 10% on the first \$9,875; you pay 12% on the rest. (Look at the tax brackets above to see the breakout.)
- **Example #2:** If you had \$50,000 of taxable income, you'd pay 10% on that first \$9,875 and 12% on the chunk of income between \$9,876 and \$40,125. And then you'd pay 22% on the rest, because some of your \$50,000 of taxable income falls into the 22% tax bracket. The total bill would be about \$6,800 — about 14% of your taxable income, even though you're in the 22% bracket. That 14% is called your effective tax rate.

**That's the deal only for federal income taxes.** Your state might have different brackets, a flat income tax or no income tax at all.

## What is a marginal tax rate?

Your marginal tax rate is the tax rate you would pay on one more dollar of taxable income. This typically equates to your tax bracket.

For example, if you're a single filer with \$30,000 of taxable income, you would be in the 12% tax bracket. If your taxable income went up by \$1, you would pay 12% on that extra dollar too.

If you had \$41,000 of taxable income, however, much of it would still fall within the 12% bracket, but the last few hundred dollars would land in the 22% tax bracket. Your marginal tax rate would be 22%.

## How to get into a lower tax bracket and pay a lower federal income tax rate

Two common ways of reducing your tax bill are credits and deductions.

- **Tax credits** directly reduce the amount of tax you owe; they don't affect what bracket you're in.
- **Tax deductions**, on the other hand, reduce how much of your income is subject to taxes. Generally, deductions lower your taxable income by the percentage of your highest federal income tax bracket. So if you fall into the 22% tax bracket, a \$1,000 deduction could save you \$220.

## How state income tax rates work

In general, states take one of three approaches to taxing residents and/or workers:

- They don't tax income at all.
- They impose a flat tax. That means they tax all income, or dividends and interest only in some cases, at the same rate.
- They impose a progressive tax. That means people with higher taxable incomes pay higher state income tax rates.

If, like most people, you live and work in the same state, you probably need to file only one state return each year. But if you moved to another state during the year, lived in one state but worked in another or have, say, income-producing rental properties in multiple states, you might need to file more than one. And because the price of most [tax software packages](#) includes preparation and filing for only one state. Filing multiple state income tax returns often means paying extra.

**Michigan**- has a flat income tax rate of **4.25%**