¶ 105. What's New on the 2020 Form 1040?

Here are the changes with the greatest impact on the preparation of 2020 individual returns, cross-referenced to where they are discussed in the Handbook, and referenced to the appropriate lines on the Form 1040 and related schedules.

FORM 1040-UNNUMBERED LINES ON PAGES 1 AND 2

Filing status. The filing status line at the top of Form 1040 asks for additional information for taxpayers whose filing status is Married, filing separately (the name of the spouse) and Head of household and Qualifying widow(er) (name of child who isn't a dependent). (¶ 4702)

Question about virtual currency. The following question has been moved from Schedule 1 to Form 1040: “At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?” Taxpayers check the appropriate box to answer the virtual currency question. IRS's nonexhaustive list of transactions involving virtual currency includes:

. . . The receipt or transfer of virtual currency for free (without providing any consideration), including from an airdrop or hard fork;
. . . An exchange of virtual currency for goods or services;
. . . A sale of virtual currency; and
. . . An exchange of virtual currency for other property, including for another virtual currency; and
. . . A disposition of a financial interest in virtual currency.

Foreign address. The line to identify any foreign address, which had been on page 2 of Form 1040, has been moved to page 1 of that form.

FORM 1040-NUMBERED LINES ON PAGES 1 AND 2

While 2019 Form 2020 had 24 lines, 2020 Form 1040 has 38 lines. Although there are several new lines due to new rules, the principal reason for the increase is the dividing of single lines that, for 2019, served two purposes into two lines for 2020.

Lines 1-9. Gross income. The detailed listing of types of gross income, which had been on schedules last year, is now on page 1 of Form 1040. For example, the line for capital gains or losses that was on
2019 Form 1040, Line 6 is now on Form 1040, Line 7. (¶1200)

Line 4. IRA distributions; Line 5. Pensions and annuities. Pensions and annuities (Lines 4c and 4d on 2019 Form 1040) are now on Form 1040, Lines 5a and 5b. (¶4346)

Line 10b. Charitable contributions if taxpayer takes the standard deduction. For 2020, taxpayers who do not itemize their deductions can take an above-the-line charitable contribution deduction of up to $300. (¶3102) New line 10b is used to take that deduction.

Line 12. Standard deduction or itemized deductions. For 2020, the standard deduction amount has been increased for all filers. The amounts are: Single or Married filing separately-$12,400; Married filing jointly or Qualifying widow(er)-$24,800; Head of household-$18,650. (¶3110)

Line 13. Qualified business income deduction. The qualified business income deduction (Line 10 on 2019 Form 1040) is now reported on Form 1040. (¶1595)

Line 26. Estimated tax payments and amount applied from 2019 return. This item, which had been on Line 8 of Form 1040, Schedule 3 in 2019, is now on the main Form 1040, as Line 26.

Line 30. Recovery rebate credit. This new item, on Form 1040, Line 30, is for amounts that the taxpayer was owed under the Economic Impact Payment program created by the CARES Act, less amounts already paid to the taxpayer.

Line 37. Subtract line 33 from line 24. Line 37 is used to show the amount of tax the taxpayer owes. Below that line is a note that says: "Schedule H and Schedule SE filers, Line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details." Under the CARES Act, employers may defer the deposit and payment of the employer's portion of Social Security taxes. The deferral applies to deposits and payments of the employer's share of Social Security tax that would otherwise be required to be made during the period beginning on Mar. 27, 2020, and ending Dec. 31, 2020, with half being due on Dec. 31, 2021, and the remainder due on Dec. 31, 2022. This CARES Act rule applies to self-employed persons. The Line 37 Note reminds eligible taxpayers that the above-described taxes with respect to 2020 are not due with the 2020 Form 1040, but will be due in the future.

FORM 1040, SCHEDULE 1-ADDITIONAL INCOME AND ADJUSTMENTS TO INCOME

Line 13. Moving expenses for members of the Armed Forces. A taxpayer can deduct moving expenses only if he or she is a member of the Armed Forces on active duty and, due to a military order, moves because of a permanent change of station. The 2020 standard mileage rate for moving expenses is 17¢ per mile. (¶1627)

Line 19. IRA deduction. In general, an individual who isn't an active participant in certain employer-sponsored retirement plans, and whose spouse isn't an active participant, may make an annual deductible cash contribution to an IRA up to the lesser of: (1) a statutory dollar limit, or (2) 100%
of the compensation that’s includible in his or her gross income for that year. For 2020, the statutory dollar limit is $6,000, plus an additional $1,000 for those age 50 or older. If the individual (or individual's spouse) is an active plan participant, the deduction phases out over a specified dollar range of modified AGI (MAGI). For 2020, a taxpayer may be able to take an IRA deduction if the taxpayer was covered by a retirement plan and his or her 2020 MAGI is less than $75,000 ($124,000 if married filing jointly or qualifying widow(er)). If the taxpayer's spouse was covered by a retirement plan, but the taxpayer was not, the taxpayer may be able to take an IRA deduction if 2020 MAGI is less than $206,000. (¶ 4341)

Line 21. Tuition and fees. Congress extended the tuition and fees deduction (Form 8917) to apply for 2020, after which it is repealed. (¶ 2225)

FORM 1040-SCHEDULE 2, ADDITIONAL TAXES

Line 1. Alternative minimum tax. The alternative minimum tax (AMT) exemption amount increased to $71,700 ($111,700 if married filing jointly or qualifying widow(er); $55,850 if married filing separately). The income levels at which the AMT exemption begins to phase out increased to $510,300 ($1,020,600 if married filing jointly or qualifying widow(er)). (¶ 3203)

Line 4. Self-employment tax. For 2020, the maximum amount of self-employment income subject to FICA tax is $137,700; there is no ceiling on the Medicare wage base. (¶ 1109)

An individual may use the farm optional method only if the individual's (a) gross farm income was not more than $8,160 or (b) net farm profits were less than $5,891. Using this method, farm self-employment earnings equals the smaller of (1) two-thirds of gross farm income, or (2) $5,440. (¶ 3141)

An individual may use the nonfarm optional method only if (a) the individual's net nonfarm profits were less than $5,891 and also less than 72.189% of his or her gross nonfarm income and (b) the individual had net earnings from self-employment of at least $400 in two of the prior three years and (c) the individual has used this method for fewer than 5 years (consecutive or not). Individuals may compute their self-employment earnings as the smaller of two-thirds of gross nonfarm income or $5,440. (¶ 3141)

A self-employed individual with both farm and nonfarm incomes is allowed to use both optional computation methods if the farm income qualifies for the farm optional method and the nonfarm income qualifies for the nonfarm optional method. If both optional methods are used to compute net earnings from self-employment, the maximum combined total net earnings from self-employment for any tax year can't be more than $5,440. (¶ 3141)

FORM 1040-SCHEDULE 3, ADDITIONAL CREDITS AND PAYMENTS

Line 12b. Qualified sick and family leave credits from Schedules H and Form(s) 7202. The Families First Coronavirus Response Act (PL 116-127, 3/18/2020) provides paid sick leave and expanded family and medical leave for COVID-19 related reasons and created a refundable paid sick leave credit and the paid child care leave credit for eligible employers. The credits are taken on this new line.
Line 12e. Deferral for certain Schedule H or SE filers. This new line is the line on which taxpayers take a credit for the deferred taxes referred to in the discussion of Form 1040, Line 37 (above).

FORM 1040-SR-U.S. TAX RETURN FOR SENIORS

Form 1040-SR, U.S. Tax Return for Seniors, may only be used by persons who are age 65 or older, i.e., who were born before Jan. 2, 1956. It may be used by married taxpayers, although the draft Form 1040 instructions do not specify whether the form may be used to file a married-filing-jointly return where one spouse is age 65 or older and the other is not yet 65. Also note that Schedules 1, 2 and 3 discussed above all indicate that they are schedules for both 2020 Form 1040 and Form 1040-SR.

FORM 1040-SCHEDULE A, ITEMIZED DEDUCTIONS

Line 1. Medical and dental expenses. The 20¢ per mile standard mileage rate for medically-related use of an auto which applied in 2019 increased to 17¢ per mile for 2020. (¶ 2148)

Line 3. Medical expense floor. The adjusted gross income (AGI) threshold for deducting medical and dental expenses is 7.5% for all taxpayers. (¶ 2141)

Line 5. State and local taxes. A taxpayer who made a charitable contribution in exchange for a state or local tax credit generally must reduce his or her charitable contribution deduction as a result of receiving or expecting to receive the tax credit. However, the taxpayer may qualify for a safe harbor that allows him or her to treat some or all of the disallowed charitable contribution as a payment of state and local taxes. The safe harbor applies if the taxpayer meets the following conditions: (a) The taxpayer made a cash contribution to an entity described in Code Sec. 170(c), (b) in return for the cash contribution, the taxpayer received a state or local tax credit, and (c) the taxpayer reduces his or her charitable contribution amount by the amount of the state or local tax credit the taxpayer receives. (¶ 1746)

Line 8d. Mortgage insurance premiums. Amounts paid for premiums for mortgage insurance in connection with acquisition indebtedness for a qualified residence of the taxpayer are deductible as interest, subject to a phaseout based on AGI. The was extended for amounts paid before 2022. (¶ 1730)

Line 11. Gifts to charity by cash or check. Charitable contribution deductions must be reduced to the extent that the taxpayer received a state or local tax credit in return for the contribution. However, one may qualify for safe harbor rules that allow the disallowed amount to be treated as a state or local tax payment. For additional information, see the instructions for Line 5, above.

Line 12. Gifts to charity, other than by cash or check. For 2020, the standard mileage rate is 14¢ per mile for use of an auto in rendering gratuitous services to a charitable organization. This rate isn't indexed for inflation. (¶ 2120)

Line 15. Casualty or theft losses. Taxpayers cannot deduct a personal casualty or theft loss unless the loss is from a federally declared disaster. And taxpayers should not enter a "net qualified disaster loss"
here; instead, they should enter that amount on Schedule A, Line 16. (¶ 1783) For additional information about how to treat net qualified disaster losses, see "Line 16" below.

**Line 16. Other.** A qualified disaster loss is an individual's casualty or theft loss of personal-use property that is attributable to a major disaster declared by the President under section 401 of the Stafford Act. Net qualified disaster losses are the net of qualified disaster losses and gains from qualified disasters.

The Schedule A instructions provide the following detailed instructions for taxpayers who have net qualified disaster losses: Taxpayers who have a net qualified disaster loss on Form 4684 (Casualties and Thefts), Line 15, and who are not itemizing their deductions, can claim an increased standard deduction using Schedule A by doing the following:

1. List the amount from Form 4684, Line 15, on the dotted line next to Line 16 as "Net Qualified Disaster Loss," and attach Form 4684.
2. List the taxpayer’s standard deduction amount on the dotted line next to Line 16 as "Standard Deduction Claimed With Qualified Disaster Loss."
3. Combine the two amounts on Line 16, and enter on Form 1040, Line 9.

Taxpayers who have a net qualified disaster loss on Form 4684, Line 15 and are itemizing deductions should list the amount from Form 4684, Line 15, on the dotted line next to Line 16 as "Net Qualified Disaster Loss" and include it with their other miscellaneous deductions on Line 16. (¶ 1784)

**FORM 1040-SCHEDULE B, INTEREST AND ORDINARY DIVIDENDS**

*Part I. Interest.* Accrued interest on Series EE U.S. savings bonds issued in '89 is taxable. (¶ 1332)

*Part I, Line 3. Excludable interest on Series EE or Series I U.S. savings bonds.* The exclusion for education-related savings bond interest phases out at higher income levels. For 2020, the phaseout begins at modified AGI above $82,350 ($123,550 on a joint return). (¶ 2218)

**FORM 1040-SCHEDULE C, PROFIT OR LOSS FROM BUSINESS**

*Line 9. Car and truck expenses.* The 2020 standard mileage rate for business travel is 57.5¢ per mile. (¶ 1555)

*Line 13. Depreciation and section 179 expense.* See entries for Form 4562, below.

**Deduction for qualified business income.** The deduction for qualified business income is not taken on Schedule C. See discussion of this deduction under "Form 1040-Numbered Lines on Pages 1 and 2," above. (¶ 1595)

**FORM 4562, DEPRECIATION AND AMORTIZATION**

*Part I. Election to expense certain tangible property under Sec. 179.* For tax years beginning in 2020, the maximum section 179 expense deduction is $1,040,000. This limit is reduced by the amount by which the cost of section 179 property placed in service during the tax year exceeds $2,590,000. (¶ 1936)
Part V. Listed property. The first-year luxury auto limit for vehicles first placed in service in 2020, that are eligible for bonus first-year depreciation, is $18,100 for autos, light trucks and vans. (¶ 1945)

FORM 1040-SCHEDULE D, CAPITAL GAINS AND LOSSES

Gain on empowerment zone business stock. One generally can exclude up to 60% of the gain from the sale or exchange of qualified small business (QSB) stock held for more than five years if certain requirements are met. One such requirement is that the stock was stock in a corporation that qualified as an empowerment zone business during substantially all of the time the taxpayer held the stock. In addition, for dispositions of empowerment zone business stock after 2018, the qualified gain attributable to periods after Dec. 31, 2018 is not eligible for the 60% exclusion. (¶ 2638)

FORM 1040-SCHEDULE E, SUPPLEMENTAL INCOME AND LOSS

Standard mileage rate. The 2020 standard mileage rate for miles driven in connection with the taxpayer’s rental activities is 57.5¢ per mile. (¶ 1554)

Deduction for qualified business income. The deduction for qualified business income (QBI) is not taken on Schedule E. See discussion of this deduction under “Form 1040-Numbered Lines on Pages 1 and 2,” above. (¶ 1595)

Form 1040-SCHEDULE F, PROFIT OR LOSS FROM FARMING

Line 10. Car and truck expenses. The 2020 standard mileage rate for business travel is 57.5¢ per mile. (¶ 1554)