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2021 Tax Rates and Tax Planning Quick Reference Guide

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Tax planning is more important than ever, which is why we provided you with this quick reference guide. Contact our office to schedule a planning meeting to evaluate your tax situation.

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Social Security changes for 2021

Below are important changes to 2021 Social Security benefits and taxable amounts.

SOCIAL SECURITY CHANGES	2020	2021
Social Security benefit cost-of-living adjustment	+1.6%	+1.3%
Maximum monthly benefit retiring at full retirement age	\$3,011	\$3,148
Social Security (old age, survivors, and disability insurance) maximum taxable earnings	\$137,700	\$142,800
Medicare maximum taxable earnings	No Limit	No Limit
Quarter of coverage	\$1,410	\$1,470
ANNUAL RETIREMENT EARNINGS TEST EXEMPT AMOUNTS:		
Under full retirement age (minus \$1 for \$2 earned)	\$18,240	\$18,960
At full retirement age (minus \$1 for \$3 earned)	\$46,920	\$48,600



Standard deductions

Below are the 2021 Standard deduction amounts, indexed for inflation. Every taxpayer situation is different, so let's discuss whether to take the standard deduction or itemize deductions.

STANDARD DEDUCTION BY FILING STATUS	2020	2021
Single	\$12,400	\$12,550
Married Filing Jointly	\$24,800	\$25,100
Married Filing Separately	\$12,400	\$12,550
Head of Household	\$18,650	\$18,800



2020 tax rates

For the 2020 tax year, the tax rates are the same, while the brackets increased.

2020 Marginal Rates by Filing Status	Single	Married Filing Jointly	Head of Household	Married Filing Separately
10%	\$0 - \$9,875	\$0 - \$19,750	\$0 - \$14,100	\$0 - \$9,875
12%	\$9,876 - \$40,125	\$19,751 - \$80,250	\$14,101 - \$53,700	\$9,876 - \$40,125
22%	\$40,126 - \$85,525	\$80,251 - \$171,050	\$53,701 - \$85,500	\$40,126 - \$85,525
24%	\$85,526 - \$163,300	\$171,051 - \$326,600	\$85,501 - \$163,300	\$85,526 - \$163,300
32%	\$163,301 - \$207,350	\$326,601 - \$414,700	\$163,301 - \$207,350	\$163,301 - \$207,350
35%	\$207,351 - \$518,400	\$414,701 - \$622,050	\$207,351 - \$518,400	\$207,351 - \$311,025
37%	Over \$518,400	Over \$622,050	Over \$518,400	Over \$311,025



2021 tax rates

For the 2021 tax year, the tax rates are the same, while the brackets increased.

2021 Marginal Rates by Filing Status	Single	Married Filing Jointly	Head of Household	Married Filing Separately
10%	\$0 - \$9,950	\$0 - \$19,900	\$0 - \$14,200	\$0 - \$9,950
12%	\$9,951 - \$40,525	\$19,901 - \$81,050	\$14,201 - \$54,200	\$9,951 - \$40,525
22%	\$40,526 - \$86,375	\$81,051 - \$172,750	\$54,201 - \$86,350	\$40,526 - \$86,375
24%	\$86,376 - \$164,925	\$172,751 - \$329,850	\$86,351 - \$164,900	\$86,376 - \$164,925
32%	\$164,926 - \$209,425	\$329,851 - \$418,850	\$164,901 - \$209,400	\$164,926 - \$209,425
35%	\$209,426 - \$523,600	\$418,851 - \$628,300	\$209,401 - \$523,600	\$209,426 - \$314,150
37%	Over \$523,600	Over \$628,300	Over \$523,600	Over \$314,150



2021 capital gains tax rates

For the 2021 tax year, the tax rates are the same, while the brackets increased.

Capital Gains Rate	Filing Status	2020	2021
0%	Single/Married filing jointly	\$0 - \$40,000	\$0 - \$40,400
15%	Single/Married filing jointly	\$40,001 - \$441,450	\$40,401 - \$445,850
20%	Single/Married filing jointly	Over \$441,450	Over \$445,850
0%	Married filing jointly	\$0 - \$80,000	\$0 - \$80,800
15%	Married filing jointly	\$80,001 - \$496,600	\$80,801 - \$501,600
20%	Married filing jointly	Over \$496,600	Over \$501,600
0%	Heads of households	\$0 - \$53,600	\$0 - \$54,100
15%	Heads of households	\$53,600 - \$469,050	\$54,101 - \$473,750
20%	Heads of households	Over \$469,050	Over \$473,750



IRA and retirement plan contributions

The annual limits for 2021 IRA contributions did not change, and most of the annual limits for 2021 retirement plan contributions did not change.

Retirement Plan Limits	2020	2021
Individual retirement account	\$6,000	\$6,000
IRA catch-up contribution over age 50	\$1,000	\$1,000
401(k)/403(b)/457(b) elective deferrals	\$19,500	\$19,500
401(k) catch-up contribution over age 50	\$6,500	\$6,500
SIMPLE plan employee deferrals	\$13,500	\$13,500
SIMPLE catch-up contribution over age 50	\$3,000	\$3,000
Maximum annual contribution for defined contribution plans	\$57,000	\$58,000
Maximum annual benefit - defined benefit plans (Section 415(b))	\$230,000	\$230,000



Estimated tax due dates

Taxes are pay as you go, which means that your clients need to pay most of your tax during the year as you receive income, rather than paying at the end of the year. There are two ways to pay tax:

1. Withholding from pay, pension, or certain government payments, such as Social Security.
2. Making quarterly estimated tax payments during the year.

Here are the due dates for **2021 estimated tax payments**:

Q4-2020	Jan. 15, 2021
Q1-2021	April 15, 2021
Q2-2021	June 15, 2021
Q3-2021	Sept. 15, 2021
Q4-2021	Jan. 17, 2022



Credits

The 2020 Families First Coronavirus Response Act introduced new tax credits related to COVID-19-related sick leave for eligible employers, and self-employed individuals. The following are common tax credits.

Credits (maximum)	2020	2021
Child tax credit per child	\$2,000	\$2,000
Child tax credit phase out, single/married filing separately/head of household	\$200,000	\$200,000
Child tax credit phase out, married filing jointly	\$400,000	\$400,000
Earned income tax credit	\$6,660	\$6,728
Qualified adoption expenses	\$14,300	\$14,400
Self-employed qualified sick leave wages	\$5,110	\$0
Self-employed qualified family leave wages	\$2,000	\$0
Retirement savings contributions credit (each)	\$1,000	\$1,000



Expenses and exemptions

The following are expenses and exemptions to consider in planning.

Expenses	2020	2021
Qualified transportation fringe benefit	\$270 / month	\$270 / month
Qualified parking fringe benefit	\$270 / month	\$270 / month
Health flexible spending arrangements	\$2,750	\$2,750
Business use mileage (cents/mile)	\$0.575	TBA
Medical purpose mileage (cents/mile)	\$0.17	TBA
Charitable use mileage (cents/mile)	\$0.14	TBA
Per diem rate in continental U.S.	\$198	\$198
Per diem rate high cost locality	\$292	\$292
Meals per diem	\$60	\$60
Transportation meals & incidentals per diem	\$66	\$66
Exemptions		
Alternative minimum tax exemption, Single	\$72,900	\$73,600
Alternative minimum tax exemption, MFJ	\$113,400	\$114,600
Annual gift tax exclusion	\$15,000	\$15,000
Estate tax exemption	\$11.58M	\$11.7M