

# 2021 TAX SUMMARY



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## Federal income tax rates

### Taxable income between:

#### Single<sup>1</sup>

\$0-\$9,950	10%
\$9,950-\$40,525	12%
\$40,525-\$86,375	22%
\$86,375-\$164,925	24%
\$164,925-\$209,425	32%
\$209,425-\$523,600	35%
Over \$523,600	37%

#### Married, filing jointly<sup>1</sup>

\$0-\$19,900	10%
\$19,900-\$81,050	12%
\$81,050-\$172,750	22%
\$172,750-\$329,850	24%
\$329,850-\$418,850	32%
\$418,850-\$628,300	35%
Over \$628,300	37%

#### Head of household (HOH)<sup>1</sup>

\$0-\$14,200	10%
\$14,200-\$54,200	12%
\$54,200-\$86,350	22%
\$86,350-\$164,900	24%
\$164,900-\$209,400	32%
\$209,400-\$523,600	35%
Over \$523,600	37%

#### Married, filing separately<sup>1</sup>

\$0-\$9,950	10%
\$9,950-\$40,525	12%
\$40,525-\$86,375	22%
\$86,375-\$164,925	24%
\$164,925-\$209,425	32%
\$209,425-\$314,150	35%
Over \$314,150	37%

#### Estates and trusts<sup>1</sup>

\$0-\$2,650	10%
\$2,650-\$9,950	24%
\$9,950-\$13,050	35%
Over \$13,050	37%

#### Standard deduction<sup>1</sup>

Single	\$12,550
Married, filing jointly	\$25,100
Head of household	\$18,800
Married, filing separately	\$12,550

Additional standard deduction for taxpayers who are age 65 or older, or who are blind: \$1,350 for married; \$1,700 for unmarried and not a surviving spouse.<sup>1</sup>

## Kiddie tax exemption<sup>1</sup> \$2,200

A "kiddie" is under age 18; or age 18 provided child's earned income does not exceed ½ of his/her support; or ages 19-23 if full-time student and earned income does not exceed ½ of support.

### Rates for long-term capital gains and qualified dividends<sup>1,2</sup>

	Individuals	Head of Household	Married, filing jointly	Married, filing separately	Estates and trusts
0%	\$0-\$40,400	\$0-\$54,100	\$0-\$80,800	\$0-\$40,400	\$0-\$2,700
15%	\$40,400-\$445,850	\$54,100-\$473,750	\$80,800-\$501,600	\$40,400-\$250,800	\$2,700-\$13,250
20%	Over \$445,850	Over \$473,750	Over \$501,600	Over \$250,800	Over \$13,250
28%	Collectibles				

### 3.8% Medicare surtax thresholds<sup>3</sup>

Single or HOH	\$200,000
Married, filing jointly	\$250,000
Married, filing separately	\$125,000
Estates and trusts <sup>1,3</sup>	\$13,050

The tax is assessed on the lesser of the amount of income over the threshold or the amount of net investment income.

### IRA<sup>4</sup>

IRA contribution (under age 50)	\$6,000
IRA contribution (50 and older)	\$7,000
Single or HOH phase-out	\$66,000-\$76,000
Married, filing jointly	\$105,000-\$125,000
Married, filing separately	\$0-\$10,000
Spousal IRA	\$198,000-\$208,000

### Phase-out of Roth IRA contribution eligibility<sup>4</sup>

Single phase-out	\$125,000-\$140,000
Married, filing jointly	\$198,000-\$208,000
Married, filing separately	\$0-\$10,000

### SEP<sup>4, 11</sup>

SEP contribution	Up to 25% of compensation (limit \$58,000)
Minimum compensation participant	\$650

### Individual 401(k)<sup>4</sup>

Employer contribution	Up to 25% of compensation
Employee salary deferral (under 50)	\$19,500
Employee salary deferral (50 and older)	\$26,000
Total employer and employee	\$58,000 (\$64,500 age 50 and older)

### SIMPLE<sup>4</sup>

SIMPLE elective deferral (under age 50)	\$13,500
SIMPLE elective deferral (50 and older)	\$16,500

### Other qualified plans<sup>4</sup>

401(k), 403(b), <sup>5</sup> governmental 457(b), <sup>6</sup> and SARSEP elective deferral (under age 50)	\$19,500
401(k), 403(b), <sup>5</sup> governmental 457(b), <sup>6</sup> and SARSEP elective deferral (age 50 and older)	\$26,000
Limit on additions to defined contribution plans	\$58,000
Annual benefit limit on defined benefit plans	\$230,000
Highly compensated employee makes	\$130,000
Maximum compensation taken into account for qualified plans	\$290,000
HSA contribution individual coverage <sup>12, 15</sup>	\$3,600
HSA contribution family coverage <sup>12, 15</sup>	\$7,200

<sup>1</sup> Rev. Proc. 2020-45. <sup>2</sup> IRC Sec. 1(j)(1),(2),(4),(5)(B). <sup>3</sup> IRC Sec. 1411. <sup>4</sup> IR-2020-79. <sup>5</sup> Additional catch-up contributions may be available for 403(b) participants with 15 or more years of service. Treas. Reg. 1.403(b)-4(c)(3). <sup>6</sup> In last three years pre-retirement, governmental 457(b) participants may be able to increase elective deferral if needed to catch up on missed contributions. IRC Sec. 457(b)(3). <sup>7</sup> "2021 Social Security Changes," Fact Sheet, Social Security Administration

## Federal gift and estate tax<sup>1</sup>

Gift tax annual exclusion	\$15,000
Annual exclusion for gift to noncitizen spouse	\$159,000
Highest estate and gift tax rate <sup>13</sup>	40%
Unified estate and gift tax credit amount <sup>4</sup>	\$11,700,000
Generation-skipping transfer tax exclusion <sup>1</sup>	\$11,700,000

Unused credit can pass to the surviving spouse if decedent spouse elects on Form 706.

### Social Security

Maximum earnings (during working years) subject to payroll tax <sup>7</sup>	\$142,800
<b>Social Security payroll tax<sup>7</sup></b>	<b>Employees pay 7.65%</b>
	<b>Self-employed pay 15.30%</b>

### Additional 0.9% high-income payroll tax for wages in excess of<sup>10</sup>

Single or HOH	\$200,000
Married, filing jointly	\$250,000
Married, filing separately	\$125,000

### Income<sup>8</sup> (in retirement) causing Social Security benefits to be taxable<sup>9</sup>

Single or HOH	
Up to 50% taxable	\$25,000 MAGI
Up to 85% taxable	\$34,000 MAGI
Married, filing jointly	
Up to 50% taxable	\$32,000 MAGI
Up to 85% taxable	\$44,000 MAGI

Max earnings (from a job) between age 62 and full (normal) Social Security retirement age before Social Security benefits are reduced \$1 for every \$2 above \$18,960. For individuals who reach FRA in 2021, \$1 for every additional \$3 earned: \$50,520 up until first of month of birthday. Thereafter unlimited.<sup>7</sup>

### LTC<sup>10</sup>

Maximum premium amount allowed as a medical expense (deductible to extent all medical expenses exceed 7.5% AGI) <sup>10</sup>	
Age 40 or less	\$450
More than age 40 but not more than 50	\$850
More than age 50 but not more than 60	\$1,690
More than age 60 but not more than 70	\$4,520
More than age 70	\$5,640

### Education

Student loan interest deduction <sup>1</sup>	\$2,500
Phase-out: <sup>1</sup> Single	\$70,000-\$85,000
Married, filing jointly	\$140,000-\$170,000

### American Opportunity Tax Credit (Hope Scholarship Credit)<sup>12</sup>

Maximum \$2,500 (100% of first \$2,000 + 25% of next \$2,000 of eligible expenses)	
Phase-out: <sup>12</sup> Single	\$80,000-\$90,000
Married, filing jointly	\$160,000-\$180,000
Lifetime learning credit <sup>12</sup>	20% of qualified expenses up to \$10,000
Phase-out: <sup>12, 16</sup> Single or HOH	\$80,000-\$90,000
Married, filing jointly	\$160,000-\$180,000

<sup>8</sup> Most income, including municipal bond interest, but only ½ of Social Security benefits. <sup>9</sup> IRC Sec. 86. <sup>10</sup> IRC Sec. 3101(b)(2). <sup>11</sup> IRC Sec. 402 (h)(2). <sup>12</sup> IRC Sec. 25A (c),(i). <sup>13</sup> IRC Sec. 2001(c). <sup>14</sup> IRC 1(g), 63(c)(5)(A). <sup>15</sup> Rev Proc 2020-32. <sup>16</sup> Consolidated Appropriations Act, 2021. Unless otherwise noted, the source of data in the document is the Internal Revenue Code. Information is accurate at time of printing.

# 2021 TAX SUMMARY

The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 increases the age for required minimum distributions (RMDs) for all qualified retirement plans to age 72. IRA owners who were born June 30, 1949 or prior, must continue to take RMDs under the previous rules. The required minimum distribution (RMD) for any year is calculated as the December 31 value of the prior year (plus the actuarial present value of any additional benefit provided within the annuity contract) divided by the RMD factor from the appropriate table.<sup>2</sup>

## Uniform Lifetime Table<sup>3</sup>

For use by:

- Unmarried IRA owners
- Married IRA owners whose spouses are not more than 10 years younger
- Married IRA owners whose spouses are not the sole beneficiaries of their IRAs

(For married IRA owners whose spouses are more than 10 years younger, use Joint Life Table from Treas. Reg. 1.401(a)(9) – 9, Q&A 3)

## Single Life Expectancy Table<sup>4</sup>

Spouse beneficiary

**IRA owner dies on/after Required Beginning Date (RBD):** Beginning in the year following the year of the IRA owner's death, recalculate spouse beneficiary's single life expectancy each year while spouse beneficiary survives, using spouse beneficiary's age on birthday in that calendar year. If RMD would be less, spouse beneficiary would use IRA owner's term certain life expectancy. For that, use IRA owner's age attained on the birthday in the calendar year of IRA owner's death. Reduced by one for each passing year. (Note: Spouse beneficiary could instead roll over to his or her own IRA at IRA owner's death).

**Death before RBD:** Same options as above, minus using IRA owner's term certain life expectancy, plus spouse beneficiary can delay until IRA owner would have turned age 70½.<sup>5</sup>

Nonspouse beneficiary

**Death after December 31, 2019:** The stretch IRA option will be replaced with a 10-year rule for the vast majority of nonspouse beneficiaries. The rule will require assets to be liquidated by the end of the 10<sup>th</sup> year following the year of death of the IRA owner. There will be no scheduled RMDs. The only RMD on an inherited IRA would be the entire remaining balance at the end of the 10 years after death. There are some exceptions if the nonspouse beneficiary is a minor, disabled, chronically ill, or not more than 10 years younger than the deceased IRA owner. For minors, the exception only applies until the child reaches the age of majority, at which point the 10-year rule is enforced.

### Death prior to December 31, 2019

**Death on/after RBD:** Beneficiary uses beneficiary's own term certain life expectancy. For that, use the beneficiary's age attained on the birthday in the calendar year after the calendar year of IRA owner's death. Reduce by one for each passing year. If RMD would be less, beneficiary would use IRA owner's term certain life expectancy. For that, use IRA owner's attained age in the calendar year of IRA owner's death. Reduce by one for each passing year.

**Death before RBD:** Same options as above, minus using IRA owner's term certain life expectancy, or beneficiary can defer all distributions as long as all funds are distributed in five years.

No designated beneficiary

**Death on/after RBD:** Inheritor uses IRA owner's term certain life expectancy. For that, use IRA owner's age attained on the birthday in the calendar year of owner's death. Reduce by one for each passing year.

**Death before RBD:** Distribute all within five years.

<sup>1</sup>Treas. Reg. 1.401(a)(9) – 9 This table will change in 2022 under FR Doc. 2020-24723.

<sup>2</sup>Treas. Reg. 1.401(a)(9) – 6, Q&A 12, 1.401(a)(g) – 5. This table will change in 2022 under FR Doc. 2020-24723.

<sup>3</sup>Treas. Reg. 1.401(a)(9) – 5, Q&A 4.

<sup>4</sup>Treas. Reg. 1.401(a)(9) – 5, Q&A 5

<sup>5</sup>Although the SECURE Act changed the required beginning date to age 72, Reg. § 1.401(a)(9)-3, Q&A 3(b) still specifically references age 70½ as the date that distributions must begin for spousal beneficiaries who do not perform a rollover. It is likely that the 70½ date will be changed to 72 when the IRS issues further guidance.

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Purchasing an annuity within a retirement plan that provides tax deferral under sections of the Internal Revenue Code results in no additional tax benefit. An annuity should be used to fund a qualified plan based upon the annuity's features other than tax deferral. All annuity features, risks, limitations, and costs should be considered prior to purchasing an annuity within a tax-qualified retirement plan.

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## Uniform Lifetime Table<sup>1</sup> (for RMD purposes)

Age	Distribution period
70	27.4
71	26.5
72	25.6
73	24.7
74	23.8
75	22.9
76	22.0
77	21.2
78	20.3
79	19.5
80	18.7
81	17.9
82	17.1
83	16.3
84	15.5
85	14.8
86	14.1
87	13.4
88	12.7
89	12.0
90	11.4
91	10.8
92	10.2
93	9.6
94	9.1
95	8.6
96	8.1
97	7.6
98	7.1
99	6.7
100	6.3
101	5.9
102	5.5
103	5.2
104	4.9
105	4.5
106	4.2
107	3.9
108	3.7
109	3.4
110	3.1
111	2.9
112	2.6
113	2.4
114	2.1
115+	1.9

## Single Life Expectancy Table<sup>1</sup>

Age	Life expectancy	Age	Life expectancy
0	82.4	56	28.7
1	81.6	57	27.9
2	80.6	58	27.0
3	79.7	59	26.1
4	78.7	60	25.2
5	77.7	61	24.4
6	76.7	62	23.5
7	75.8	63	22.7
8	74.8	64	21.8
9	73.8	65	21.0
10	72.8	66	20.2
11	71.8	67	19.4
12	70.8	68	18.6
13	69.9	69	17.8
14	68.9	70	17.0
15	67.9	71	16.3
16	66.9	72	15.5
17	66.0	73	14.8
18	65.0	74	14.1
19	64.0	75	13.4
20	63.0	76	12.7
21	62.1	77	12.1
22	61.1	78	11.4
23	60.1	79	10.8
24	59.1	80	10.2
25	58.2	81	9.7
26	57.2	82	9.1
27	56.2	83	8.6
28	55.3	84	8.1
29	54.3	85	7.6
30	53.3	86	7.1
31	52.4	87	6.7
32	51.4	88	6.3
33	50.4	89	5.9
34	49.4	90	5.5
35	48.5	91	5.2
36	47.5	92	4.9
37	46.5	93	4.6
38	45.6	94	4.3
39	44.6	95	4.1
40	43.6	96	3.8
41	42.7	97	3.6
42	41.7	98	3.4
43	40.7	99	3.1
44	39.8	100	2.9
45	38.8	101	2.7
46	37.9	102	2.5
47	37.0	103	2.3
48	36.0	104	2.1
49	35.1	105	1.9
50	34.2	106	1.7
51	33.3	107	1.5
52	32.3	108	1.4
53	31.4	109	1.2
54	30.5	110	1.1
55	29.6	111+	1.0