

IRAs & Qualified Plans

Contribution Limits	
IRA or Roth IRA contribution limit	\$6,000
IRA or Roth IRA catch-up (age 50 or older)	\$1,000
Traditional IRA deduction phaseout	
Participants in a retirement plan	
Single	\$66,000 - \$76,000
Married filing jointly	\$105,000 - \$125,000
Married filing separately	\$0 - \$10,000
Spousal IRA	\$198,000 - \$208,000
Roth IRA phaseout	
Single	\$125,000 - \$140,000
Married filing jointly	\$198,000 - \$208,000
Qualified Plans	
Elective deferrals to 401(k), 403(b), 457, and SARSEPs	\$19,500
Catch-up contribution (age 50 or older)	\$6,500
Defined contribution plan limit (Section 415(c)(1)(A))	\$58,000
Defined benefit plan limit (Section 415(b)(1)(A))	\$230,000

Simple IRA & SEP IRA

SEP IRA contribution limit	Lesser of \$58,000 or 25% of compensation
SIMPLE Plan contribution limit	\$13,500
Catch-up contribution (age 50 or older)	\$3,000
Maximum compensation limit for retirement plans	\$290,000
Key employee (top-heavy plans)	Above \$185,000
Highly compensated employee	\$130,000

Health Savings Account

Minimum Deductible Amount	
Single	\$1,400
Family	\$2,800
Maximum Out-of-Pocket Amount	
Single	\$7,000
Family	\$14,000
HSA Contribution Limit	
Single	\$3,600
Family	\$7,200
Catch-up contribution (age 55 or older)	\$1,000

Education

Coverdell Education Savings Accounts	
Contribution limit	\$2,000
Single phaseout	\$95,000 - \$110,000
Married filing jointly phaseout	\$190,000 - \$220,000
Lifetime Learning Credit - 20% of qualified expenses	
Expense limit	\$10,000
Single phaseout	\$80,000 - \$90,000
Married filing jointly phaseout	\$160,000 - \$180,000
529 Plans	

Eligible for college, apprenticeship, and trade school expenses, and up to \$10,000/year for private K-12 tuition. A lifetime limit of \$10,000 each can be used to repay the beneficiary's and each of his/her sibling's student loans.

Capital Gains & Qualified Dividends

For 2021, rates are applied to taxable income levels:

Tax Rate	Single	Married Filing Jointly	Trusts & Estates
0%	\$0 - \$40,400	\$0 - \$80,800	\$0 - \$2,700
15%	\$40,400 - \$445,850	\$80,800 - \$501,600	\$2,700 - \$13,250
20%	over \$445,850	over \$501,600	over \$13,250

(Short-term capital gains are taxed at income tax rates)

Medicare contribution tax on investment income*: 3.8%

*Tax is applied to the lower of net investment income or modified adjusted gross income over certain thresholds (\$250,000 joint filers/\$200,000 single/\$13,250 Trusts and Estates).

Income Tax Rate Schedules

If Taxable Income Is:		Then the Gross Tax Payable Is:		
Over	But not over	Amount	Plus (%)	Of the amount over
Single Taxpayers				
\$0	\$9,950	----- 10% of taxable income -----		
\$9,950	\$40,525	\$995.00	12%	\$9,950
\$40,525	\$86,375	\$4,664.00	22%	\$40,525
\$86,375	\$164,925	\$14,751.00	24%	\$86,375
\$164,925	\$209,425	\$33,603.00	32%	\$164,925
\$209,425	\$523,600	\$47,843.00	35%	\$209,425
\$523,600	-	\$157,804.25	37%	\$523,600
Married Filing Jointly				
\$0	\$19,900	----- 10% of taxable income -----		
\$19,900	\$81,050	\$1,990.00	12%	\$19,900
\$81,050	\$172,750	\$9,328.00	22%	\$81,050
\$172,750	\$329,850	\$29,502.00	24%	\$172,750
\$329,850	\$418,850	\$67,206.00	32%	\$329,850
\$418,850	\$628,300	\$95,686.00	35%	\$418,850
\$628,300	-	\$168,993.50	37%	\$628,300

The income tax brackets for Married Filing Separately are half of the amounts for Married Filing Jointly. The brackets for Heads of Households generally fall between the brackets for single and joint filers.

Trusts & Estates				
\$0	\$2,650	----- 10% of taxable income -----		
\$2,650	\$9,550	\$265.00	24%	\$2,650
\$9,550	\$13,050	\$1,921.00	35%	\$9,550
\$13,050	-	\$3,146.00	37%	\$13,050

Kiddie tax: In 2021, the parent's marginal tax rate is used for a dependent child's unearned income over their deduction amount.

Income Tax Deductions and Credits

Single	\$12,550
Married filing jointly	\$25,100
Head of household	\$18,800
Married filing separately	\$12,550
Child Tax Credit	
Qualifying Child (Children under age 17)	\$2,000
Dependents not eligible for Qualifying Child	\$500
Single phase out begins at	\$200,000
Married filing jointly phase out begins at	\$400,000
Elderly (over age 65) or blind additional deduction	
Single	\$1,700
Married	\$1,350

2021 Reference Guide

Estate & Gift Tax

Individual estate tax exclusion (Federal) (Any unused amount can transfer to a surviving spouse)	\$11,700,000
Maximum estate tax rate	40%
Gift tax exclusion	\$11,700,000
Generation-skipping exclusion	\$11,700,000
Annual gift tax exclusion (per recipient)	\$15,000
Lump sum accelerated gift to a 529 plan (5-year rule)	\$75,000

States with an estate tax and/or inheritance tax: CT, DC, HI, IL, IA, KY, ME, MD, MA, MN, NE, NJ, NY, OR, PA, RI, VT, and WA

Alternative Minimum Tax (AMT)

Status	Exemption	Phaseout
Single	\$73,600	\$523,600
Married filing jointly	\$114,600	\$1,047,200

Alternative Minimum Tax Rates	
	26% up to \$199,900 of AMT base
	28% over \$199,900 of AMT base

Social Security

Social Security wage base	\$142,800
Social Security cost-of-living adjustment	1.3%
Quarter of coverage (earnings for Social Security)	\$1,470
Maximum benefit (worker retiring at FRA)	\$3,148
Estimated average monthly benefit	\$1,543

Social Security benefits are reduced if someone receives benefits and continues to work. The benefit is reduced \$1 for every \$2 or \$3 earned above \$18,960 (\$1,580/mo.) in years prior to FRA and \$50,520 (\$4,210/mo.) in the year FRA is reached, respectively. There is no reduction at FRA.

For additional information about Social Security, please see Manning & Napier's 2021 Social Security Guide.

Businesses/Business Owners

For 2021, net business income is taxed at the following rates:

Corporations (C-Corps and similarly treated LLCs)	
Corporate income tax rate:	21%
Accumulated Earnings tax rate (plus interest):	20%*

Dividends paid to shareholders are taxable to them at ordinary income or capital gains tax rate(s), depending on the type of dividend.

*On retained earnings in excess of \$250,000 (\$150,000 for personal service corps.), except if to meet reasonable business needs.

The AMT and US tax on foreign income were eliminated for corps. Illiquid assets and cash held outside of the U.S. are taxed once at rates of 8% and 15.5%, respectively.

Pass Through Entities (Sole Props, Partnerships, S-Corps, and similarly treated LLCs)

Net business income is reported by the owner(s) and is taxed at his/her tax rates

Self-Employment Tax on wages, tips and net earnings	
Medicare Tax (on total amount)*:	2.9%
Social Security Tax (on the first \$142,800):	12.4%
Deduction for qualified business income**:	20.0%

*An Additional Medicare Tax of 0.9% is applied to amounts over certain thresholds (\$250,000 joint filers/\$200,000 single filer).

**The deduction is limited to the lesser of 20% of QBI or 20% of the owner's taxable income. Subject to phase out depending on the type of services provided if income is over \$329,800 (joint) or \$164,900 (single) as of 2021.

Important Dates & Deadlines

Deadlines for Traditional IRAs, Roth IRAs, and SEP IRAs	
2020 Contributions	April 15, 2021
2021 Contributions	April 15, 2022
2021 Roth IRA Conversions	December 31, 2021

Required Minimum Distributions (RMDs)	
<i>RMD starting age changed from 70½ to 72 if born after July 1, 1949</i>	
Age of IRA holder:	First RMD Deadline:
Turned 70 in 2019 before July 1	December 31, 2021*
Turned 70 in 2019 on or after July 1 (turn 72 in 2021)	April 1, 2022**
Turned 70 in 2020 (turn 72 in 2022)	April 1, 2023**

*Due to the CARES Act suspending all RMDs for 2020, including 2019 RMDs delayed to 2020.

**Subsequent RMDs must be taken by December 31 of each year. Starting with 2022 RMDs, revised IRS life expectancy tables will be used and slightly reduce RMDs at each age.

2020 Tax Form Mailing Deadlines for Custodians	
Form 1099-R (Retirement Account Distributions)	February 1, 2021
Consolidated Form 1099s (Taxable Accounts)	February 16, 2021*
*Extended deadline for accounts holding certain securities (REITs, WHFITs, CMOs)	March 15, 2021
Form 5498 (Retirement Account Contributions)	May 31, 2021

2021 Estimated Tax Payments	
For the period	Due date
January 1 - March 31	April 15, 2021
April 1 - May 31	June 15, 2021
June 1 - August 31	September 15, 2021
September 1 - December 31	January 17, 2022

Highlights of the Consolidated Appropriations Act of 2021 (Signed into law on 12/27/2020)

- Provides enhanced tax benefits for cash gifts to qualifying charities of up to \$300 or \$600 if married (CARES Act only allowed \$300 total for 2020) if not itemizing deductions, or if itemizing then of 100% of cash gifts, up to adjusted gross income (AGI).
- Streamlines the tax credits available for tuition and other related expenses.
- Allows the carry-over of flexible spending arrangement (FSA) account balances from 2020 to 2021, as well as from 2021 to 2022.
- Permanently sets the medical expense deduction floor to 7.5% of AGI.
- Instates a revised Paycheck Protection Program (PPP) for business owners for 2021.
- Expands the Employee Retention Tax Credit through June 30, 2021 and increases it to 70% of up to \$10,000 in quarterly wages (up to \$14,000 per employee in 2021).
- Certain exceptions for retirement accounts available in 2020 were NOT extended into 2021. Specifically, Required Minimum Distributions (RMDs), which were waived in 2020, will resume in 2021. Also, the Coronavirus Related Distribution (CRD) exception for favorable treatment of retirement account withdrawals and loans taken in 2020 is not available for 2021.

Biden's Proposed Tax Law Changes (income limits assume joint filers)

- Restore the highest marginal tax rate to 39.6% on income over \$400,000.
- Impose the 39.6% tax rate on long-term capital gains and qualified dividends for those earning more than \$1,000,000.
- Eliminate the step-up in cost basis on appreciated assets at death.
- Restore 2009 Federal estate and gift tax levels (estate and lifetime gift exemptions of \$3.5 Million and \$1 Million, respectively; 45% tax).
- Impose Social Security payroll taxes on wages below \$142,800 and above \$400,000, creating a "donut hole".
- Increase corporate tax rates from 21% to 28%.
- Limit itemized deduction tax benefits if income is over \$400,000 by capping tax savings at 28% of value and restoring the Pease limitation, a phase out of total allowable deductions.
- Phaseout the qualified business income deduction (QBI - Section 199A) starting at income above \$400,000.
- Increase the Child and Dependent Care Tax and the Child Tax Credit and reestablish First-Time Homebuyers' Tax Credit.
- Offer tax credits to small businesses adopting retirement plans.
- Change employees' tax savings on retirement plan contributions from an above-the-line deduction to a below-the-line tax credit of 26% of the contribution amount.

Subscribe to our website to receive updates on the progress of proposed legislation changes, including if any future changes seem likely to apply retroactively for all of 2021.

Consult with an attorney or a tax or financial advisor regarding your specific legal, tax, estate planning, or financial situation.