

2021 Annual Tax Summary

Your PartnersFinancial Advanced Sales team actively monitors changes in the estate, gift and income tax arenas. The following is a list of the tax limitations for 2021.

FEDERAL TRANSFER TAXES

In an effort to reunify the estate, gift and generation-skipping transfer (GST) taxes, the exemption amount for all three taxes was set at \$5 million, beginning on January 1, 2010. This \$5 million is indexed for inflation for all three transfer taxes. The Tax Cuts and Jobs Act of 2017 (TCJA) doubles these exemptions. The TCJA exemptions are scheduled to sunset after 2025 and revert back to those available under ATRA.

Applicable Tax	2020	2021
Estate Tax	\$11,580,000	\$11,700,000
Gift Tax	\$11,580,000	\$11,700,000
GST Tax	\$11,580,000	\$11,700,000
Maximum Tax Rate = 40%		

ANNUAL GIFT TAX EXEMPTION AMOUNT

The annual gift tax exemption amount is also indexed to inflation. For 2021, the annual gift tax exemption amount remains at \$15,000 per donee. The annual exclusion from tax on a gift to a spouse who is not a US citizen is \$159,000, up from \$157,000 in 2020.

FEDERAL INCOME TAXES

INCOME TAX

The applicability of the maximum income tax rate applies based on the taxpayer's filing status. For individuals, the maximum applies after \$523,600 of annual income. For taxpayers who are married filing jointly, the maximum applies after \$628,300 of annual income. For trusts and estates, the maximum applies after \$13,050 of annual income.

Top Tax Rate	2020	2021
Income Tax	37%	37%
Long-Term Capital Gains	20%	20%
Dividends	20%	20%



NET INVESTMENT INCOME

2014 was the first year in which a tax of 3.8% was added to a taxpayer's annual net investment income (NII). The 3.8% tax applies to the NII of all taxpayers whose income is in excess of the threshold that applies, based on their filing status. The 3.8% tax is applied to the lesser of the taxpayer's total NII or the amount by which the taxpayer's income exceeded their applicable threshold. In general, investment income includes, but is not limited to, interest, dividends, capital gains, rental and royalty income, nonqualified annuities, income from businesses involved in trading of financial instruments or commodities, and businesses that are passive activities to the taxpayer.

Trusts and estates are also subject to the 3.8% NII tax, if they have undistributed NII and also have adjusted gross income over the dollar amount at which the highest tax bracket for an estate or trust begins for such taxable year.

Filing Status	Threshold*
Individual	\$200,000
Head of Household	\$200,000
Married Filing Separately	\$125,000
Married Filing Jointly	\$250,000
*Threshold amounts not indexed for inflation	

ALTERNATIVE MINIMUM TAX

In the American Taxpayer Relief Act of 2012, Congress applied a permanent "patch" to the alternative minimum tax exemption by indexing the exemption amount to inflation. The TCJA increased the available exemption.

Filing Status	2020	2021
Individuals	\$72,900	\$73,600
Married Filing Jointly	\$113,400	\$114,600

QUALIFIED PLAN CONTRIBUTIONS

Elective Deferral Contributions

The exclusion for elective deferrals in 2021 remains unchanged at \$19,500. This is also the amount that applies to elective deferrals for state and local governments and tax-exempt organizations.

Catch-Up Contributions for 401(k) Plans, SAR-SEPs and TSAs

For taxpayers over age 50, the annual limit in 2021 remains unchanged at \$6,500.

Roth IRA Contributions

The maximum amount of annual Roth IRA contribution in 2021 remains unchanged at \$6,000. This amount begins to phase out at certain levels, until it is eliminated.

Filing Status	2020	2021
Individual	\$124,000 - \$139,000	\$125,000 - \$140,000
Married Filing Jointly	\$196,000 - \$206,000	\$198,000 - \$208,000

IRA Contributions

The limit on IRA contributions remains unchanged at \$6,000 in 2021.

Catch-Up Contributions for IRAs (Traditional & Roth)

For taxpayers over age 50, the annual limit is not subject to an annual cost-of-living adjustment and remains at \$1,000.

LONG-TERM CARE PER DIEM AMOUNT

The amount that an individual can receive under a long-term care contract without incurring income taxes is also indexed for inflation. The per diem limit increased from \$380 to \$400 in 2021.



FLEXIBLE SPENDING ACCOUNTS

The annual dollar limit on employee contributions to employer-sponsored healthcare flexible spending accounts remains at \$2,750 in 2021.

PERSONAL EXEMPTION

The TCJA eliminated the personal exemption allowed to each taxpayer beginning in 2018.

STANDARD DEDUCTION

The TCJA nearly doubled the standard deduction beginning in 2018.

Filing Status	2020	2021
Individual	\$12,400	\$12,550
Married Filing Jointly	\$24,800	\$25,100

ITEMIZED DEDUCTION

The TCJA eliminated the overall limitation on itemized deductions. However, TCJA limited the deduction for state and local taxes (SALT) to \$10,000 (married and single filers) and \$5,000 (married filing separately) beginning in 2018. Additionally, the mortgage interest deduction is capped to debt of \$750,000. Mortgages from before December 16, 2017, are grandfathered and new mortgages may be grandfathered if the purchase contract is dated before December 16, 2017.

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