

2021 Tax Planning

Taxable Income Brackets for 2021 Ordinary Income Tax Rates

Marginal Tax Rate	Married Filing Joint	Single
10%	\$0 – \$19,900	\$0 – \$9,950
12%	\$19,901 – \$81,050	\$9,951 – \$40,525
22%	\$81,051 – \$172,750	\$40,526 – \$86,375
24%	\$172,751 – \$329,850	\$86,376 – \$164,925
32%	\$329,851 – \$418,850	\$164,926 – \$209,425
35%	\$418,851 – \$628,300	\$209,426 – \$523,600
37%*	Over \$628,300	Over \$523,600

* The top rate is effectively 40.8% for those subject to the 3.8% Medicare surtax on net investment income

2021 Trust Tax Rates

10%	\$0 - \$2,650	35%	\$9,551 - \$13,050
24%	\$2,651 - \$9,550	37%	Over \$13,050

Qualified Business Income (QBI) Deduction

20% Deduction Phase-Out Ranges

\$329,800 - \$429,800 – Married Joint

\$164,900 - \$214,900 – Single

Standard Deductions

Married-Joint \$25,100

Single \$12,550

Head of Household \$18,800

Extra Standard Deduction for Age 65 or Blind

\$1,350 (married-joint)

\$1,700 (single)

Taxable Income Brackets for 2021 Long Term Capital Gains and Qualified Dividends Tax

Long Term Capital Gains Rate	Married Filing Joint	Single
0%	\$0 – \$80,800	\$0 – \$40,400
15%*	\$80,801 – \$501,600	\$40,401 – \$445,850
20%**	Over \$501,600	Over \$445,850

*The 15% rate is effectively 18.8% for those subject to the 3.8% Medicare surtax on net investment income (those with MAGI over the thresholds of \$250,000 joint filers/\$200,000 single filers).

**The top rate is effectively 23.8% for those subject to the 3.8% Medicare surtax on net investment income

2021 Transfer Taxes

Transfer Tax	Exemption*	Maximum Rate
Estate, Gift, GST Tax	\$11,700,000	40%

*The estate and gift exemptions are portable. The unused amount can be transferred to a surviving spouse. The GST exemption is NOT portable.

Annual Gift Tax Exclusion \$15,000

Qualified Charitable Distributions

Available only to IRA owners and IRA beneficiaries who are 70½ or older. QCDs are more valuable due to the larger number of taxpayers that are using the increased standard deduction.

Itemized Deductions

Medical expenses for 2021 and future years are deductible in excess of 7.5% of AGI

State and local taxes limited to \$10,000 overall

Charitable contribution limit for 2021 donations is 100% of AGI

2021 Tax Bracket Management at a Glance

Pay attention to tax brackets for each different type of tax – These will generally affect higher income clients.

Top Income and Capital Gain Rates			Top Trust Income and Capital Gain Rates		3.8% Tax on Net Investment Income 0.9% Tax on Earned Income	
	Top Income Rate	Top Capital Gain Rate	Top Trust Income Tax Rate	\$13,050	The 3.8% tax is based on modified adjusted gross income \$250,000 married joint \$200,000 single The 0.9% tax is based on earned income over these limits (wages and self-employment income)	
			Top Trust Capital Gain Rate	\$13,250		
Married Joint	\$628,300	\$501,600	From \$0 to \$2,700, the trust capital gains rate is -0-% From \$2,701 to \$13,250, the rate is 15% Over \$13,250, the rate is 20%			
Single	\$523,600	\$445,850				

Trust Tax Rates – Distributions from inherited IRAs that exceed **\$13,050** and are made to and retained in discretionary trusts will be subject to the top 37% rate. After the SECURE Act, inherited IRA funds will have to be paid out to most of these trusts under the 10-year rule, accelerating trust taxes. Roth conversions during the IRA owner's life become more valuable if the IRA beneficiary is a trust.