

2021 Tax Planning Guide



Tax Brackets for 2021

Married / Jointly	
\$0 - \$19,900	10%
\$19,901 - \$80,050	12%
\$80,051 - \$172,750	22%
\$172,751 - \$329,850	24%
\$329,851 - \$418,850	32%
\$418,851 - \$628,300	35%
Over \$628,300	37%

Single	
\$0 - \$9,950	10%
\$9,951 - \$40,525	12%
\$40,526 - \$86,375	22%
\$86,376 - \$164,925	24%
\$164,926 - \$209,425	32%
\$209,426 - \$523,600	35%
Over \$523,600	37%

Married / Separately	
\$0 - \$9,950	10%
\$9,951 - \$40,525	12%
\$40,526 - \$86,375	22%
\$86,376 - \$164,925	24%
\$164,926 - \$209,425	32%
\$209,426 - \$314,150	35%
Over \$314,150	37%

Head of Household (HOH)	
\$0 - \$14,200	10%
\$14,201 - \$54,200	12%
\$54,201 - \$86,350	22%
\$86,351 - \$164,900	24%
\$164,901 - \$209,400	32%
\$209,401 - \$523,600	35%
Over \$523,600	37%

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

LTCG / Qualified Dividend Rates

0.0% rate if taxable income is below:	
Married / Jointly	\$80,800
Married / Separately	\$40,400
Head of Household	\$54,100
Single	\$40,400
Estate and Trust	\$2,700

15.0% rate if taxable income is below:	
Married / Jointly	\$501,600
Married / Separately	\$250,800
Head of Household	\$473,750
Single	\$445,850
Estate and Trust	\$13,250

20.0% rate applies to higher taxable income

28.0% rate applies to cap gains for collectibles

Standard Deduction	
Married / Jointly	\$25,100
Single	\$12,550
Married / Separately	\$12,550
Head of Household	\$18,800
<i>Blind or over 65: Additional \$1,350 if married; \$1,700 if single or HOH</i>	

Capital Loss Limit (loss must exceed gains)	
Married / Jointly	\$3,000
Single	\$3,000
Married / Separately	\$1,500

Estate Tax

Transfer Tax Rate (Maximum)	40%
Estate Tax Exemption	\$11,700,000
Gift Tax Exemption	\$11,700,000
GST Exemption	\$11,700,000
Annual Gift Tax Exclusion	\$15,000

Kiddie Tax

Earned income taxed at single tax rates.
Net unearned inc taxed at estates /trust rates.

Education

529 contrib/individ	\$15,000 / yr, before gift tax
529 contrib/couple	\$30,000 / yr, before gift tax
Accelerate 5 yrs gifting into 1 yr per indiv	\$75,000
Per couple	\$150,000

Lifetime Learning Credits

Maximum Credit	\$2,000
Phaseout - Single	\$59,000 - \$69,000 MAGI *
Phaseout - Joint	\$119,000 - \$139,000 MAGI *

Coverdell Education Savings Account

Contribution	\$2,000
Phaseout - Single	\$95,000 - \$110,000 MAGI *
Phaseout - Joint	\$190,000 - \$220,000 MAGI *

Student Loan Interest

Deduction Limit	\$2,500
Phaseout - Single	\$70,000 - \$85,000 MAGI *
Phaseout - Joint	\$140,000 - \$170,000 MAGI *

Phaseout of Tax-Free Savings Bond Interest

Single	\$83,200 - \$98,200 MAGI *
Joint	\$124,800 - \$154,800 MAGI *

American Opportunity Tax Credit

Maximum Credit	\$2,500
Phaseout - Single	\$80,000 - \$90,000 MAGI *
Phaseout - Joint	\$160,000 - \$180,000 MAGI *

Required Minimum Distributions (RMDs)

The minimum amount a retirement plan must distribute annually starting with the year you reach 70 ½ years of age or, if later, the year you retire.

May be withdrawn from only one or multiple accounts.

Does not apply to Roth IRAs. Beneficial IRA RMDs are calculated separately from other retirement plan valuations.

Retirement

IRA and Roth IRA Maximum Contributions

Under Age 50	\$6,000
Age 50+	\$7,000

Phaseout for Deducting IRA Contributions

(for qualified plan participants)

Married / Jointly	\$105,000 - \$125,000 MAGI *
Single or HOH	\$66,000 - \$76,000 MAGI *
Married / Jointly **	\$198,000 - \$208,000 MAGI *

Phaseout of Roth Contribution Eligibility

Joint	\$198,000 - \$208,000 MAGI *
Single	\$125,000 - \$140,000 MAGI *
Married / Separately	\$0 - \$10,000 MAGI *

SEP IRA Contribution Maximum

Up to 25% of Compensation	Limit \$58,000
To Participate in SEP IRA	\$650

SIMPLE Elective Deferral Maximum

Under Age 50	\$13,500
Age 50+	\$16,500

Qualified Plan Maximum Contributions

401(k), 403(b), 457, & SARSEP	\$19,500
Age 50+	\$26,000
Additions limits to defined contribution plan	\$58,000
Annual benefit limit on defined benefit plan	\$230,000
Highly compensated employee (HCE)	\$130,000
Annual compensation taken into account for qualified plans	\$290,000

* Modified Adjusted Gross Income

** Phaseout limit for spouse who is not a participant in a qualified plan.

Inherited Retirement Plan Account Restrictions

Previously, beneficiaries who inherited IRAs and qualified accounts could stretch RMDs over their lifetime. Beginning with deaths in 2020, non-spouse individual beneficiaries must withdraw the full account value within 10 years of the original account owner's death. Only a surviving spouse may continue to stretch RMDs over their lifetime.

Increase for RMD Age on Some

The beginning age for RMDs (from traditional IRAs and qualified accounts) was increased from 70½ to 72 for those who reach 70½ after 2019 (born after 6/30/49). People who reached 70½ in 2019 or earlier are unaffected and the original RMD 70½ rule still applies.

Elimination of Traditional IRA Contribution Age Restriction

A restriction which previously halted contributions to a traditional IRA starting at age 70½ was removed. Contributions can continue beyond age of 70½ if the account holder has earned income.

New Parent Retirement Plan Allowance

Individuals may withdraw up to \$5,000 (up to \$10,000 per couple) from a qualified retirement plan or IRA at the birth/adoption of a child without an early withdrawal penalty. Distributions can be recontributed beyond the standard 60-day window for indirect rollovers.

529 Accounts Leveraged to Pay Down Student Loan Debt

529 account owners are now permitted to withdraw up to \$10,000 (tax free) towards payment of student loans, as well as use 529 assets to pay qualified apprenticeship programs. Any student loan interest paid for with tax-free 529 earnings is not eligible for the student loan interest deduction.

Coronavirus Impact on IRA and Qualified Plan Distribution Rules

Distributions made by 12/30/20 and related to the coronavirus pandemic are permitted up to \$100,000 and are not subject to the additional 10% early withdrawal penalty. Income taxes due may also be spread over 3 yrs and the distributions may be redeposited.

Consult your financial and /or tax advisor to understand how state benefits or limitations apply to your specific circumstances.

The CARES Act waived the RMD requirements from defined contribution plans, 403(a) plans, 403(b) contracts, 457 governmental plans, and IRAs for 2020.

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