

# 2021 Federal Tax Guide

## INCOME

If Taxable Income is Between:	The Tax Due is:
<b>Unmarried Individuals</b>	
0 - \$9,950	10% of taxable income
\$9,951 - \$40,525	\$995 + 12% of the amount over \$9,950
\$40,526 - \$86,375	\$4,664 + 22% of the amount over \$40,525
\$86,376 - \$164,925	\$14,751 + 24% of the amount over \$86,375
\$164,926 - \$209,425	\$33,603 + 32% of the amount over \$164,925
\$209,426 - \$523,600	\$47,843 + 35% of the amount over \$209,425
\$523,601 +	\$157,804.25 + 37% of the amount over \$523,600
<b>Married Filing Jointly and Surviving Spouses</b>	
0 - \$19,900	10% of taxable income
\$19,901 - \$81,050	\$1,990 + 12% of the amount over \$19,900
\$81,051 - \$172,750	\$9,328 + 22% of the amount over \$81,050
\$172,751 - \$329,850	\$29,502 + 24% of the amount over \$172,750
\$329,851 - \$418,850	\$67,206 + 32% of the amount over \$329,850
\$418,851 - \$628,300	\$95,686 + 35% of the amount over \$418,850
\$628,301 +	\$168,993.50 + 37% of the amount over \$628,300
<b>Heads of Household</b>	
0 - \$14,200	10% of taxable income
\$14,201 - \$54,200	\$1,420 + 12% of the amount over \$14,200
\$54,201 - \$86,350	\$6,220 + 22% of the amount over \$54,200
\$86,351 - \$164,900	\$13,293 + 24% of the amount over \$86,350
\$164,901 - \$209,400	\$32,145 + 32% of the amount over \$164,900
\$209,401 - \$523,600	\$46,385 + 35% of the amount over \$209,400
\$523,601 +	\$156,355 + 37% of the amount over \$523,600
<b>Married Filing Separately</b>	
0 - \$9,950	10% of taxable income
\$9,951 - \$40,525	\$995 + 12% of the amount over \$9,950
\$40,526 - \$86,375	\$4,664 + 22% of the amount over \$40,525
\$86,376 - \$164,925	\$14,751 + 24% of the amount over \$86,375
\$164,926 - \$209,425	\$33,603 + 32% of the amount over \$164,925
\$209,426 - \$314,150	\$47,843 + 35% of the amount over \$209,425
\$314,151 +	\$84,496.75 + 37% of the amount over \$314,150

Additional 3.8% Net Investment Income Tax (NIIT), including but not limited to, interest, dividends, capital gains, rent, and royalties for Individuals over \$200,000 or Married/Joint over \$250,000. Additional .9% applies to earned income over same amounts. -Affordable Care Act and Medicare.

Estates and Trusts	
0 - \$2,650	10% of taxable income
\$2,651 - \$9,550	\$265 + 24% of the amount over \$2,650
\$9,551 - \$13,050	\$1,921 + 35% of the amount over \$9,550
\$13,051 +	\$3,146 + 37% of the amount over \$13,050

Estates & Trusts over top tax bracket \$13,050 in 2021) also pay 3.8% NIIT on undistributed NIL.

## ESTATES & TRUSTS

Annual Exclusion	
Exclusions	Amount
Individual	\$15,000
Non-Citizen Spouse	\$159,000

Annual exclusion requires a "present interest" to the donee. This includes gifts made outright, and certain trusts, like minor's trusts, simple trusts, and trusts with Crummey withdrawal powers.

Gift, Estate, and Generation Skipping Exemptions & Rates		
Year	Basic Exclusion Amount	Maximum Rate
2012	5,120,000	35%
2013	5,250,000	40%
2014	5,340,000	40%
2015	5,430,000	40%
2016	5,450,000	40%
2017	5,490,000	40%
2018	11,180,000	40%
2019	11,400,000	40%
2020	11,580,000	40%
<b>2021</b>	<b>11,700,000</b>	<b>40%</b>



**CANNON**  
FINANCIAL INSTITUTE

*Cannon is recognized as one of the leading professional development firms. We were born of this industry and have spent more than half a century consulting and educating individuals and organizations.*

**To learn more,  
call Cannon at 706-353-3346  
or visit [www.cannonfinancial.com](http://www.cannonfinancial.com)**

## OTHER INCOME ISSUES

Standard Deductions	
Filing Status	Standard Deduction
Unmarried Individuals	\$12,550
Married / Joint	\$25,100
Married / Separate	\$12,550
Head of Household	\$18,800
Dependent	\$1,100 or \$350 + earned income
Additional Deduction	
• Blind or over 65	\$1,350
• Blind or over 65 (Single or head of household)	\$1,700

Exemptions / Exclusions		
Exemption or Exclusion	2020	2021
Individual Personal Exemption / Grantor Trusts	0	0
Estates	\$600	\$600
Simple Trusts (required to distribute all income)	\$300	\$300
Complex Trusts (may accumulate income)	\$100	\$100

Kiddie Tax Unearned income for children under age 19, or full-time students under age 24, is as follows:	
Income	Tax
First \$1,100	Tax Free
Next \$1,100	Child's Rate
Over \$2,200	Parent's Marginal Rate

Alternative Minimum Tax (AMT) Exemptions	
Filing Status	Tax
Unmarried Individual	\$73,600
Married Filing Jointly & Surviving Spouses	\$114,600
Married Filing Separately	\$57,300
Estates and Trusts	\$25,700

**The information appearing in this pamphlet is provided for general educational and guidance purposes only. While information is obtained from sources deemed to be reliable, accuracy cannot be assured. Such information is not intended to provide tax, business, investment or legal advice to any individual or entity.**

Provided free of charge for educational use by Cannon Financial Institute, Inc. Please visit our Internet site for additional useful financial information.  
[www.cannonfinancial.com](http://www.cannonfinancial.com)

# Cannon Financial Institute

Cannon is recognized as one of the leading professional development firms. We were born of this industry and have spent more than half a century consulting and educating individuals and organizations.

## Schools

Learn at one of our six locations spread throughout the continental U.S. or anywhere you are, via our LiveOnline™ virtual classroom or recorded sessions. Whether in person or online, Cannon courses are not your typical lecture hall experience. Our instructors are coaches, our curriculum is contextual, and our web-based offerings are as expansive as your need for knowledge.

## Enterprise Training

Many institutions work with Cannon on an enterprise level. On your terms and at your location, customized instruction can be as brief as a one-hour keynote address or as extensive as a multi-year change management initiative. We partner with you to create and deploy a professional development experience that is tailored to your specific goals and objectives.

## eLearning

Cannon has built an impressive library of online courses to complement its classroom experience in critical areas of study. Get all the benefits of Cannon's content anytime and anywhere you're connected to the Internet.

## Audio Programs

As the financial industry evolves, you can rely on Cannon's digital audio programs for insight on prevalent issues. You will be able to learn a great deal while managing your valuable time. Cannon offers the following titles:

- **Growing Your Business™ Digital Audio Series**
- **Concepts and Analyses of Trusts and Estate Planning™ Digital Audio Series**
- **13 Wealth Management Issues™ Digital Audio Series**

## Publications

Cannon's publications serve as navigation tools throughout the ever-changing financial services industry. Professionals devoted to continual learning will value these publications as Cannon equips them to better serve their clients. These publications include the following titles:

- **Cannon Concepts for Professionals**
- **Performance Coaching**
- **Tools & Techniques of Estate Planning**
- **Tools & Techniques of Investment Planning**
- **Tools & Techniques of Employee Benefit and Retirement Planning**
- **Tools & Techniques of Trust Planning**
- **Principles of Estate Planning**
- **Corporate Trust Answer Book**
- **The Advisor's Guide to the DOL Fiduciary Rule**
- **Affluent for Life**

## Teleconferences

Cannon's Estate Planning Teleconference Series is a convenient way to stay fresh and connected to the latest issues and strategies facing the Estate Planning industry. Each month, several thousand professionals use the teleconference to earn CE credits, as well as take the opportunity to invite Centers of Influence to maximize relationships.

To learn more, call Cannon at 706-353-3346  
or visit [www.cannonfinancial.com](http://www.cannonfinancial.com)

## TAX CUTS AND JOBS ACT

Standard Deduction generally doubles to \$12,550 Single | \$25,100 Married filing jointly

Personal exemptions suspended for individuals, not for estates and trusts IRC 642(b)

Miscellaneous itemized deductions suspended. Trusts & estates cannot deduct investment fees and expenses, unreimbursed business expenses, etc. The 2% limit does not apply to administration expenses incurred solely because property is in an estate or trust, so trustee fees are still deductible. IRC 67(e)

State and Local Tax (SALT) deduction (e.g. sales tax, income tax, and property tax) capped at \$10,000

Repealed the Affordable Care Act Individual Mandate in 2019

### Long-term Capital Gains and Qualified Dividends

Single	Married/Joint	Estates and Trusts	Rate
0 - \$40,400	0 - \$80,800	0 - \$2,700	0
\$40,400 - \$445,850	\$80,800 - \$501,600	\$2,700 - \$13,250	15%
Over \$445,850	Over \$501,600	Over \$13,750	20%

Primary residence sale capital gain exemption remains \$250,000 Single, \$500,000 Married

Mortgage Interest deduction on new acquisition indebtedness and/or Home Equity Line used to buy, build, or substantially improve primary and/or second homes combined capped at \$750,000

529 plans now include K-12 up to \$10,000/year, and \$15,000/year may move to a 529 ABLE account (may be subject to State Medicare clawback at death)

Charitable deductions percentage of AGI limit on cash donations to public charity increased to 60% of AGI through 2025 and Pease limits used to phase-out deductions of high-income taxpayers were eliminated

Qualified Charitable Distributions from IRAs allowed over age 70 ½ up to \$100,000 annually

Unreimbursed Medical Expenses exceeding 10% of AGI are deductible

Alimony will not be deductible by payor, nor be taxable to recipient for divorce decrees issued after 12/31/18

### Basic/Applicable Exclusion/Portability

The Basic Exclusion Amount (BEA) is what an individual can pass gift/estate/gstt tax free. Applicable Exclusion Amount is the BEA plus any Deceased Spousal Unused Exclusion (DSUE), often referred to as 'portability'. DSUE applies for GIFT and ESTATE, but not GENERATION SKIPPING. Portability is elected by timely filing the estate tax return.

### Generation-Skipping Transfer Tax

Generation-skipping transfer tax (GSTT) is imposed on gifts or bequests to persons two or more generations below the transferor ("skip persons") upon the occurrence of one of three events: "direct skip," "taxable termination," or "taxable distribution." GSTT is in addition to gift tax or estate tax. The GST tax exemption is equal to the BEA.

## RETIREMENT

### Government Benefits

Social Security or Medicare	2020	2021
Cost of Living Adjustment	1.60%	1.30%
Social Security Wage Base (OASDI only)	\$137,700	\$142,800
Medicare Wage Base (single)	\$200,000	\$200,000
Social Security Tax Rate	6.20%	6.20%
Medicare Tax Rate	1.45%	1.45%

### Retirement Plans Limits

Internal Revenue Code (IRC) limits on benefits and contributions for retirement plans. IRC also limits the amount of compensation considered to compute benefits and contributions. Limits are adjusted for cost-of-living increases.

Type or Limit	2020	2021
Employee Deferral Limit to 401(k), 403(b) and 457 plans	\$19,500	\$19,500
• 401(k), 403(b) and 457 Catch-up Contribution, age 50+	6,500	6,500
Defined Benefit plan Dollar Limit	230,000	230,000
Defined Contribution plan Dollar Limit	57,000	58,000
Compensation Limit	285,000	290,000
SIMPLE Retirement Accounts	13,500	13,500
• SIMPLE Catch-up Contribution, age 50+	3,000	3,000
IRA Contribution Limit	6,000	6,000
• IRA Catch-up Contribution, age 50+	1,000	1,000
HSA annual contribution limit – Single Coverage	3,550	3,600
HSA annual contribution limit – Family Coverage	7,100	7,200



**CANNON**  
FINANCIAL INSTITUTE

Phone 706-353-3346

Fax 706-353-3994

[www.cannonfinancial.com](http://www.cannonfinancial.com)

**CFI**  
1961