

2021  
Pocket Guide to  
**TAXES**

**Saltmarsh**

Saltmarsh, Cleaveland & Gund

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## 2021 Taxable Income: Amount of Tax:

## 2021 Standard Deduction

<b>Single</b>	\$ 0 - \$ 9,950	10% of taxable income			
	\$ 9,950 - \$ 40,525	\$ 995.00 + 12%	of amt.	>	\$ 9,950
	\$ 40,525 - \$ 86,375	\$ 4,664.00 + 22%	of amt.	>	\$ 40,525
	\$ 86,375 - \$ 164,925	\$ 14,751.00 + 24%	of amt.	>	\$ 86,375
	\$ 164,925 - \$ 209,425	\$ 33,603.00 + 32%	of amt.	>	\$ 164,925
	\$ 209,425 - \$ 523,600	\$ 47,843.00 + 35%	of amt.	>	\$ 209,425
	Over \$523,600	\$ 157,804.25 + 37%	of amt.	>	\$ 523,600

<b>Head of Household</b>	\$ 0 - \$ 14,200	10% of taxable income			
	\$ 14,200 - \$ 54,200	\$ 1,420.00 + 12%	of amt.	>	\$ 14,200
	\$ 54,200 - \$ 86,350	\$ 6,220.00 + 22%	of amt.	>	\$ 54,200
	\$ 86,350 - \$ 164,900	\$ 13,293.00 + 24%	of amt.	>	\$ 86,350
	\$ 164,900 - \$ 209,400	\$ 32,145.00 + 32%	of amt.	>	\$ 164,900
	\$ 209,400 - \$ 523,600	\$ 46,385.00 + 35%	of amt.	>	\$ 209,400
	Over \$523,600	\$ 156,355.00 + 37%	of amt.	>	\$ 523,600

<b>Married Filing Jointly</b> and qualified widow(er) with a dependent child	\$ 0 - \$ 19,900	10% of taxable income			
	\$ 19,900 - \$ 81,050	\$ 1,990.00 + 12%	of amt.	>	\$ 19,900
	\$ 81,050 - \$ 172,750	\$ 9,328.00 + 22%	of amt.	>	\$ 81,050
	\$ 172,750 - \$ 329,850	\$ 29,502.00 + 24%	of amt.	>	\$ 172,750
	\$ 329,850 - \$ 418,850	\$ 67,206.00 + 32%	of amt.	>	\$ 329,850
	\$ 418,850 - \$ 628,300	\$ 95,686.00 + 35%	of amt.	>	\$ 418,850
	Over \$628,300	\$ 168,993.50 + 37%	of amt.	>	\$ 628,300

<b>Married Filing Separately</b>	\$ 0 - \$ 9,950	10% of taxable income			
	\$ 9,950 - \$ 40,525	\$ 995.00 + 12%	of amt.	>	\$ 9,950
	\$ 40,525 - \$ 86,375	\$ 4,664.00 + 22%	of amt.	>	\$ 40,525
	\$ 86,375 - \$ 164,925	\$ 14,751.00 + 24%	of amt.	>	\$ 86,375
	\$ 164,925 - \$ 209,425	\$ 33,603.00 + 32%	of amt.	>	\$ 164,925
	\$ 209,425 - \$ 314,150	\$ 47,843.00 + 35%	of amt.	>	\$ 209,425
	Over \$314,150	\$ 84,496.75 + 37%	of amt.	>	\$ 314,150

<b>Estates and Trusts</b>	\$ 0 - \$ 2,650	10% of taxable income			
	\$ 2,650 - \$ 9,550	\$ 265.00 + 24%	of amt.	>	\$ 2,650
	\$ 9,550 - \$ 13,050	\$ 1,921.00 + 35%	of amt.	>	\$ 9,550
	Over \$13,050	\$ 3,146.00 + 37%	of amt.	>	\$ 13,050

You may deduct your standard deduction or your itemized deductions, whichever is greater:

Single . . . . . \$ 12,550  
Head of Household . . . . . \$ 18,800

Married filing separate . . . . . \$ 12,550  
Married filing joint, and surviving spouses . . . . . \$ 25,100

You may increase your standard deduction by an additional \$ 1,350 if you are *married* and:

- blind or
- 65 or older

You may increase your standard deduction by an additional \$ 1,700 if you are *single* or *head of household* and:

- blind or
- 65 or older

If you are both blind *and* 65 or older, you may double this additional standard deduction.

## Planning Tips for 2021

- Election to expense cost of tangible personal property under Section 179 is \$1,050,000 with a \$2,620,000 investment limitation.
- "Bonus depreciation" is 100% of cost for qualified assets including purchase of used property.
- Qualified Business Income deduction includes 20% deduction for pass through business income up to \$164,900 single and \$329,800 married filing jointly.
- Social Security recipients can earn the following amounts before benefits are reduced in 2021:

Under Full Retirement Age	\$ 18,960
Full Retirement Age attained	\$ 50,520
Over Full Retirement Age	No limitation
- Child tax credit - \$2,000 per qualifying child (\$1,400 is refundable); joint filers with AGI up to \$400,000 (\$200,000 for all others).
- The estate tax exemption is \$11,700,000 per individual.
- The annual exclusion for gifts of present interests is \$15,000 per recipient for 2021.

## Income You Must Report

- Wages, salary, tips and other compensation
- Fees, commissions, bonuses, rents
- Interest income, dividends
- IRA distributions
- Lump-sum distributions
- Distributions from SEPs
- Employer-paid disability benefits
- Excess business expense reimbursements
- Gains on sale or exchange of property
- Trust accumulation distribution
- Income earned outside the U.S.
- Embezzled or illegal income
- Social Security benefits
- Lottery & gambling winnings
- Tier 2 and supplemental annuities from Railroad Retirement Act
- Capital gains
- Pensions and annuities
- Taxable state tax refunds
- Bartering income
- Unemployment benefits
- S Corporation profits
- Partnership profits
- Original issue discount
- Executor fees
- Director's fees
- Prizes and awards
- Certain scholarship amounts
- Endowments
- Punitive damages

## Income You Do Not Report

- Welfare benefits
- Veteran's Administration benefits
- Worker's Compensation benefits
- Child support
- Gifts
- Veteran's life insurance dividends
- Life insurance proceeds received because of a person's death
- Casualty insurance amounts
- Certain fellowships
- Student loans canceled in return for services
- Certain inherited assets (excluding accrued income and retirement accounts)
- Alimony (Divorces after 2018)

## Personal Exemption

**2021 Exemption amount: - 0 -**

Tax Cuts and Jobs Act (TCJA) suspends personal exemptions.

## 2021 Social Security Tax

	<u>Tax Base</u>	<u>Rate</u>	<u>Max. Tax</u>
Social Security	\$142,800	6.20%	\$8,853
Medicare	No Limit	1.45%	No Limit
Additional Medicare	--	0.9%	No Limit

## 2021 Self-Employment Tax

	<u>Tax Base</u>	<u>Rate</u>	<u>Max. Tax</u>
Social Security	\$142,800	12.4%	\$17,706
Medicare	No Limit	2.9%	No Limit
Additional Medicare	--	0.9%	No Limit

## Itemized Deductions & Percentage Limitations

Medical expense	Minimum — 7.5% of AGI
Non-business state, local, property and sales tax	Maximum — \$10,000
Mortgage interest deduction:	
▪ Mortgage interest up to \$750,000 acquisition indebtedness	
▪ No interest deduction for home equity loans, unless proceeds used to improve home	
Non-itemizers can deduct to charity	\$600 joint filers (\$300 for all others)

## 2021 Standard Mileage Rates

	<u>2021</u>
Business use of auto	\$.56 a mile
Charitable use of auto	\$.14 a mile
Medical use of auto	\$.16 a mile

## Additional Tax on Investment Income

3.8% Additional tax on Net Investment Income

AGI over \$250,000 joint filers; \$200,000 single filers and head of household.

*Investment Income* - Includes interest, dividends, annuities, royalties, tangible property rents and capital gains.

## Who Must File a Return?

### You must file if you are:

### And have gross income of:

#### Single

Under 65 .....	\$ 12,550
65 or older .....	\$ 14,250

#### Married filing a joint return

Both spouses under 65 .....	\$ 25,100
One spouse 65 or older .....	\$ 26,450
Both spouses 65 or older .....	\$ 27,800

#### Head of household

Under 65 .....	\$ 18,800
65 or older .....	\$ 20,500

#### Qualifying widow(er)

Under 65 .....	\$ 25,100
65 or older .....	\$ 26,800

## For Children and Other Dependents

Earned income taxed at rates and brackets for Single Taxpayers.

Unearned income taxed at rates and brackets for Estates and Trusts.