



2021 Tax Overview

This guide lists some of the changes most likely to affect our clients' 2020 tax returns. It is for information only; everyone's tax situation is unique, so talk with us before using this guide to make tax-related decisions.

Standard Deduction:

Filing Status	Deduction Amount
Married Filing Jointly; Qualifying Widow(er)	\$25,100
Head of Household	\$18,800
Single; Married Filing Separately	\$12,550
Age 65 and/or Blind Additional Amount – Unmarried	\$1,700
Age 65 and/or Blind Additional Amount – Married	\$1,350 per spouse

Charitable Contributions Deduction: Non-itemizers who made contributions to qualifying charities may deduct up to \$300 if single; \$600 for married filing joint filers. This only applies to monetary donations; property and goods donated do not qualify.

Child and Dependent Care Credit: The amount of qualifying expenses for one child was increased to \$8,000; taxpayers with two or more qualifying children may be able to deduct up to \$16,000 in expenses. Income limits before the credit starts to phase out were raised, and the credit will be refundable to some taxpayers.

Cryptocurrency: Every taxpayer must state whether or not they had financial interest in any virtual currency during the tax year. If you had cryptocurrency, please contact us for reporting requirements.

Advance Child Tax Credit payments: In 2021, many taxpayers who claimed children on their 2020 tax return received advance payments on their 2021 child tax credit. These amounts must be reported and reconciled on the 2021 return. Any additional credit due will be refunded, but taxpayers who received too much advanced payment may have to pay some back. Safe harbor laws are in place to protect low income taxpayers from having to pay back.



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Retirement plan contribution limits: For tax year 2021, the IRA contribution limit remains \$6000 (with a \$1000 catch-up for those 55 and older), and the limit for 401(k) plans remained at \$19,500 (with a \$6500 catch-up for anyone 55 years old or older). Anyone with earned income may now make IRA contributions, regardless of age.

Early retirement plan distributions: If you took a Covid-related distribution in 2020 and opted to spread the tax impact over three years, you will need to account for year 2 on your 2021 return.

RMDs (Required Minimum Distributions): RMDs, which had been waived for 2020, resumed in 2021. The age at which you must begin taking RMDs is now 72.

Economic Impact Payments: The third stimulus payment, sent during spring of 2020 is not taxable income but must be reported. If more is due based on 2021 income, the additional amount will be refunded.

Tax Brackets:

Rate	Joint Return	Individual Return
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 \$628,301	Over \$523,601