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# IRS Releases 2021 Tax Rates, Standard Deduction Amounts And More



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Taxes



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The Internal Revenue Service (IRS) has announced the annual inflation adjustments for the tax year 2021, including tax rate schedules, tax tables and cost-of-living adjustments.

~~These are the numbers for the tax year 2021 beginning January 1, 2021.~~

If you aren't expecting any significant changes in 2021, you can use the updated numbers to estimate your liability. If you plan to make more money or change your circumstances (for example, you're getting married or starting a business), consider adjusting your withholding or tweaking your estimated tax payments.

## Tax Brackets and Tax Rates

There are still seven (7) tax rates in 2021. They are: 10%, 12%, 22%, 24%, 32%, 35% and 37% (there is also a zero rate). Here's how those break out by filing status:

### Individual Taxpayers

If Taxable Income Is Between:	The Tax Due Is:
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

Single tax rates 2021 KPE/IRS

**Married Individuals Filing Joint Returns and Surviving Spouses**

<b>If Taxable Income Is Between:</b>	<b>The Tax Due Is:</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

Joint tax rates 2021 KPE/IRS

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<b>If Taxable Income Is Between:</b>	<b>The Tax Due Is:</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

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**Heads of Household**

<b>If Taxable Income Is Between:</b>	<b>The Tax Due Is:</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

Head of Household tax rates 2021 KPE/IRS

And for trusts and estates:

**Trusts & Estates**

<b>If Taxable Income Is Between:</b>	<b>The Tax Due Is:</b>
\$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

Trusts & Estates tax rates 2021 KPE/IRS

**Note:** These rates remain in place no matter what happens in November 2020. For these rates to change, Congress would have to vote to change the tax rates.

**Standard Deduction Amounts**

The standard deduction amounts will increase to \$12,550 for individuals

Filing Status	Standard Deduction Amount
Single	\$12,550
Married Filing Jointly & Surviving Spouses	\$25,100
Married Filing Separately	\$12,550
Heads of Household	\$18,800

Standard Deduction Amounts KPE/IRS

- For 2021, the **additional standard deduction** amount for the aged or the blind is \$1,350. The additional standard deduction amount increases to \$1,700 for unmarried taxpayers.
- For 2021, the **standard deduction amount for an individual who may be claimed as a dependent** by another taxpayer remains the same. It cannot exceed the greater of \$1,100 or the sum of \$350 and the individual's earned income (not to exceed the regular standard deduction amount).

## Personal Exemption Amount

There will be no **personal exemption amount** for 2021. The personal exemption amount remains zero under the Tax Cuts and Jobs Act (TCJA).

## Alternative Minimum Tax (AMT) Exemption Amounts

The **alternative minimum tax (AMT) exemption amounts** are adjusted for inflation. Here's what those numbers look like for 2021:

**Alternative Minimum Tax (AMT) Exemptions**

<b>Filing Status</b>	<b>Exemption Amount:</b>
Individual	\$73,600
Married Filing Jointly & Surviving Spouses	\$114,600
Married Filing Separately	\$57,300
Trusts and Estates	\$25,700

AMT Exemption Amounts KPE/IRS

## Kiddie Tax

The kiddie tax applies to unearned income for children under the age of 19 and college students under the age of 24. Unearned income is income from sources other than wages and salary, like dividends and interest.

For 2021, the standard deduction amount for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of (1) **\$1,100** or (2) the sum of **\$350** and the individual's earned income (not to exceed the regular standard deduction amount).

Under the TCJA, your child must pay taxes on their unearned income, but if that amount is more than **\$1,100**, but less than **\$11,000**, you may be able to elect to include that income on your return rather than file a separate return for your child.

## Capital Gains Tax

**Capital Gains rates** will not change for 2021, but the brackets for the rates will change. Most taxpayers pay a maximum 15% rate, but a 20% tax

gain (related to depreciation). The maximum zero rate amounts and maximum 15% rate amounts break down as follows:

Maximum Capital Gains Rates		
Filing Status	Maximum Zero Rate Amount:	Maximum 15% Rate Amount
Married Filing Jointly & Surviving Spouses	\$80,800	\$501,600
Married Filing Separately	\$40,400	\$250,800
Heads of Household	\$54,100	\$473,750
Individual Taxpayers	\$40,400	\$445,850
Trusts and Estates	\$2,700	\$13,250

Maximum Capital Gains Rates IRS/KPE

## Schedule A (Itemized Deductions)

There are changes to itemized deductions found on **Schedule A**, including:

- **Medical and Dental Expenses.** The “floor” for medical and dental expenses is 10% in 2021, which means you can only deduct those expenses which exceed 10% of your AGI.
- **State and Local Taxes.** Deductions for state and local sales, income, and property taxes remain in place and are limited to a combined total of \$10,000, or \$5,000 for married taxpayers filing separately.
- **Home Mortgage Interest.** You may only deduct interest on acquisition indebtedness—your mortgage used to buy, build or improve your home—up to \$750,000, or \$375,000 for married taxpayers filing separately.

- **Casualty and Theft Losses.** The deduction for personal casualty and theft losses has been repealed except for losses attributable to a federal disaster area.
- **Job Expenses and Miscellaneous Deductions subject to 2% floor.** Miscellaneous deductions, including unreimbursed employee expenses and tax preparation expenses, which exceed 2% of your AGI have been eliminated. That includes the home office deduction.
- There are no **Pease limitations** in 2021.

## Above-The-Line Deductions

An above-the-line deduction is one that you can claim even if you don't itemize your deductions. Here's a look at two of the most popular:

- **Student Loan Interest Deduction.** For 2021, the **\$2,500** deduction for interest paid on student loans begins to phase out when modified adjusted gross income (MAGI) hits **\$70,000 (\$140,000** for taxpayers filing a joint return) and is completely phased out when MAGI hit **\$85,000 (\$170,000** for taxpayers filing a joint return).
- **Elementary and Secondary School Teachers Expenses.** For 2021, qualifying teachers can claim **\$250** for expenses paid or incurred for books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used in the classroom.
- **Charitable Contributions.** For 2020, if you don't itemize your



not per person). Unless Congress extends the provision, *that is not the case for 2021.*

## Tax Credits & Tax Deductions

Some additional **tax credits** and **deductions** have been adjusted for 2021. Here's a look at a few of the most popular:

- **Child Tax Credit.** The child tax credit is **\$2,000** per qualifying child; up to **\$1,400** is refundable, subject to phaseouts. AGI phaseouts are not indexed for inflation and remain at \$400,000 for married taxpayers filing jointly and more than \$200,000 for all other taxpayers.
- **Earned Income Tax Credit (EITC).** For 2021, the maximum EITC amount available is **\$6,728** for married taxpayers filing jointly who have three or more qualifying children (it's **\$543** for married taxpayer with no children). Phaseouts apply.
- **Adoption Credit.** For 2021, the credit for an adoption of a child with special needs is **\$14,440**, and the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to **\$14,440**. The available adoption credit begins to phase out for taxpayers with MAGI in excess of **\$216,660**; it's completely phased out at **\$256,660** or more.
- **Lifetime Learning Credit.** For the 2021 tax year, the credit begins to phaseout once MAGI is **\$59,000** (**\$119,000** for taxpayers filing a joint return). The credit is completely phased out for taxpayers with MAGI in excess of **\$60,000** (**\$120,000** for taxpayers filing a joint

- **Medical Savings Accounts (MSA).** For 2021, a high-deductible health plan (HDHP) is one that, for participants who have self-only coverage in an MSA, has an annual deductible that is not less than **\$2,400** but not more than **\$3,600**; for self-only coverage, the maximum out-of-pocket expense amount is **\$4,800**. For 2021, HDHP means, for participants with family coverage, an annual deductible that is not less than **\$4,800** but not more than **\$7,100**; for family coverage, the maximum out-of-pocket expense limit is **\$8,750**.
- **Health Flexible Spending Arrangements.** For 2021, the dollar limitation for contributions to health flexible spending arrangements is **\$2,750**. If the plan permits the carryover of unused amounts, the maximum carryover amount is **\$550**.
- There is no **shared individual responsibility payment** for the tax year 2021.

## Foreign Earned Income Exclusion.

For 2021, the foreign earned income exclusion amount is **\$108,700**.

## Section 199A deduction (also called the pass-through deduction)

As part of the TCJA, sole proprietors and owners of pass-through businesses are eligible for a deduction of up to 20% to bring the tax rate lower for qualified business income. The deduction is subject to threshold and phase-

Filing Status	Threshold Amount	Phased-In Amount
Married Filing Jointly & Surviving Spouses	\$329,800	\$429,800
Married Filing Separately	\$164,925	\$214,925
All Other Taxpayers	\$164,900	\$214,900

Section 199A phaseout amounts IRS/KPE

## Revocation or Denial of Passport

For 2021, the threshold amount for seriously delinquent tax debt before your passport is certified to the State Department to be revoked is **\$54,000**.

## Federal Estate Tax Exemption

The federal estate tax exemption for decedents dying will increase to **\$11.7 million** per person or **\$23.4 million** per married couple in 2021.

## Gift Tax Exclusion (& Foreign Gifts)

The annual exclusion for federal gift tax purposes will remain at **\$15,000** in 2021. That means that you can gift **\$15,000** per person to as many people as you want with no federal gift tax consequences in 2021; if you split gifts with your spouse, that total is **\$30,000**. The exclusion amount for gifts to a spouse who is not a citizen of the United States (other than gifts of future interests in property) is **\$159,000**.