

NATIONWIDE RETIREMENT INSTITUTE®

2021 FEDERAL TAX UPDATES

KEY INFORMATION AND CHANGES

The following is a brief tax update on some of the key inflation-adjusted amounts for 2021.

Keep in mind that most of the tax cuts for individuals, including the 20% deduction under Internal Revenue Code Section §199A for pass-through businesses, are scheduled to sunset and revert back to the 2017 law. This will occur at various times between now and 2027.



For individuals

Taxable income 2021 brackets

Tax rate	Individual	Married filing separately	Married filing jointly
10%	\$0 - \$9,950	\$0 - \$9,950	\$0 - \$19,900
12%	\$9,951 - \$40,525	\$9,951 - \$40,525	\$19,901 - \$81,050
22%	\$40,526 - \$86,375	\$40,526 - \$86,375	\$81,051 - \$172,750
24%	\$86,376 - \$164,925	\$86,376 - \$164,925	\$172,751 - \$329,850
32%	\$164,926 - \$209,425	\$164,926 - \$209,425	\$329,851 - \$418,850
35%	\$209,426 - \$523,600	\$209,426 - \$314,150	\$418,851 - \$628,300
37%	\$523,601+	\$314,151+	\$628,301+

Standard deduction

Filing status	2020 deduction amount	2021 deduction amount
Single	\$12,400	\$12,550
Married filing jointly	\$24,800	\$25,100
Married filing separately	\$12,400	\$12,550
Head of household	\$18,650	\$18,800



For individuals (cont'd)

Long-term care

The amount of long-term care insurance premium that is considered a medical expense and may be deductible:

Attained age before December 31, 2021 ¹	Limitation on premium
40 or less	\$450
41 - 50	\$850
51 - 60	\$1,690
61 - 70	\$4,520
Over 70	\$5,640

¹ The end of a taxpayer's taxable year is assumed to be December 31.

Alternative minimum tax (AMT)

	Exemption ²	Phase-out threshold ³	Exemption	Phase-out threshold
	2020		2021	
Single	\$72,900	\$518,400	\$73,600	\$523,600
Married filing jointly	\$113,400	\$1,036,800	\$114,600	\$1,047,200

² "Exemption" means the amount of income that may be excluded when determining AMT taxable income.

³ The "phase-out threshold" is the amount of income a taxpayer can have before the exemption begins to be reduced. The exemptions are reduced \$1 for every \$4 in AMT income that exceeds the threshold.

Qualified business income (IRC Section §199A)

	2020 threshold	2021 threshold
Married filing jointly	\$326,600	\$329,850
Married filing separately	\$163,300	\$164,925
All others	\$163,300	\$164,900



Trusts, estates and gifts

Estate and trust income tax brackets

For 2021, the basic estate and gift tax exclusion amount for determining the unified credit against estate and gift taxes is \$11.7 million, up from \$11.58 million in 2020.

The gift tax annual exclusion remains at \$15,000 per donee.

Taxable estate or trust income	Tax rate
\$0 - \$2,650	10%
\$2,651 - \$9,550	24%
\$9,551 - \$13,050	35%
\$13,051+	37%



Net long-term capital gains

Net long-term capital gains thresholds are indexed for inflation. The percentage of tax on the capital gain is determined by the total taxable income of the person or entity that sold the asset.

Long-term capital gains tax rate	Total taxable income			
	Individual/married filing separately	Married filing jointly/surviving spouse	Head of household	Estates and trusts
0%	\$40,400	\$80,800	\$54,100	\$2,700
15%	\$250,800	\$501,600	\$473,750	\$13,250
20%	\$250,801+	\$501,601+	\$473,751+	\$13,251+



Selected benefit limits

	2020	2021
Elective deferrals (401(k) and 403(b) plans)	\$19,500	\$19,500
Catch-up contribution age 50 or over	\$6,500	\$6,500
Defined contribution limit	\$57,000	\$58,000
Defined benefit limit	\$230,000	\$230,000
Compensation limit	\$285,000	\$290,000
Highly compensated employee threshold	\$130,000	\$130,000
Social Security wage base	\$137,700	\$142,800

This material is not a recommendation to buy, sell, hold or roll over any asset, adopt an investment strategy, retain a specific investment manager or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition or particular needs of any specific person. Investors should discuss their specific situation with their financial professional.

Federal income tax laws are complex and subject to change. The information in this memorandum is based on current interpretations of the law and is not guaranteed. Neither Nationwide nor its employees, agents, brokers or registered representatives give legal or tax advice.

Nationwide Investment Services Corporation (NISC), member FINRA, Columbus, OH. Nationwide Retirement Institute is a division of NISC.

Nationwide, the Nationwide N and Eagle, Nationwide is on your side and Nationwide Retirement Institute are service marks of Nationwide Mutual Insurance Company. © 2020 Nationwide

NFM-20277AO (11/20)