

## 2021 Tax Reference Guide

Tax brackets for 2021	Long-term capital gains/ qualified dividend rates	Education	Retirement
<b>Married, filing jointly</b>	<b>0.0% rate when taxable income is below:</b>	529 plan contributions, \$15,000 per yr. before a gift tax	<b>IRA and Roth IRA contributions</b>
\$0–\$19,900 10.0%	Married, filing jointly \$80,800	529 plan contributions, \$30,000 per yr. before a gift tax	Under age 50 \$6,000
\$19,901–\$81,050 12.0%	Married, filing separately \$40,400	Accelerate 5 years of gifting into 1 year per individual \$75,000	Aged 50 and over \$7,000
\$81,051–\$172,750 22.0%	Head of household \$54,100	Per couple \$150,000	<b>Phaseout for deducting IRA contributions</b>
\$172,751–\$329,850 24.0%	Single \$40,400	<b>Lifetime learning credits</b>	(for qualified plan participants)
\$329,851–\$418,850 32.0%	Estate and trust \$2,700	Maximum credit \$2,000	Married, filing jointly \$105,000–\$125,000 MAGI <sup>1</sup>
\$418,851–\$628,300 35.0%	<b>15.0% rate when taxable income is below:</b>	Phaseout—single \$59,000–\$69,000 MAGI <sup>1</sup>	Single or head of household \$66,000–\$76,000 MAGI <sup>1</sup>
Over \$628,300 37.0%	Married, filing jointly \$501,600	Phaseout—joint \$119,000–\$139,000 MAGI <sup>1</sup>	Married, filing jointly <sup>2</sup> \$198,000–\$208,000 MAGI <sup>1</sup>
<b>Single</b>	Married, filing separately \$250,800	<b>Coverdell Education Savings Account</b>	<b>Phaseout of Roth contribution eligibility</b>
\$0–\$9,950 10.0%	Head of household \$473,750	Contribution \$2,000	Joint \$198,000–\$208,000 MAGI <sup>1</sup>
\$9,951–\$40,525 12.0%	Single \$445,850	Phaseout—single \$95,000–\$110,000 MAGI <sup>1</sup>	Single \$125,000–\$140,000 MAGI <sup>1</sup>
\$40,526–\$86,375 22.0%	Estate and trust \$13,250	Phaseout—joint \$190,000–\$220,000 MAGI <sup>1</sup>	Married, filing separately \$0–\$10,000 MAGI <sup>1</sup>
\$86,376–\$164,925 24.0%	<b>20.0% rate applies to higher taxable income amounts.</b>	<b>Student loan interest</b>	<b>SEP contribution</b>
\$164,926–\$209,425 32.0%	<b>28.0% rate applies to capital gains on collectibles.</b>	Deduction limit \$2,500	Up to 25% of compensation Limit \$58,000
\$209,426–\$523,600 35.0%	<b>Standard deduction</b>	Phaseout—single \$70,000–\$85,000 MAGI <sup>1</sup>	To participate in SEP \$650
Over \$523,600 37.0%	Married, filing jointly \$25,100	Phaseout—joint \$140,000–\$170,000 MAGI <sup>1</sup>	<b>SIMPLE elective deferral</b>
<b>Married, filing separately</b>	Single \$12,550	<b>Phaseout of tax-free savings bonds interest</b>	Under age 50 \$13,500
\$0–\$9,950 10.0%	Married, filing separately \$12,550	Single \$83,200–\$98,200 MAGI <sup>1</sup>	Aged 50 and over \$16,500
\$9,951–\$40,525 12.0%	Head of household \$18,800	Joint \$124,800–\$154,800 MAGI <sup>1</sup>	<b>Qualified plan contributions</b>
\$40,526–\$86,375 22.0%	Blind or over 65: additional \$1,350 if married; \$1,700 if single and not a surviving spouse.	<b>American opportunity tax credit</b>	401(k), 403(b), 457, and SARSEP \$19,500
\$86,376–\$164,925 24.0%	<b>Capital loss limit</b>	Maximum credit \$2,500	Aged 50 and over \$26,000
\$164,926–\$209,425 32.0%	Married, filing jointly \$3,000	Phaseout—single \$80,000–\$90,000 MAGI <sup>1</sup>	Limit on additions to defined contribution plan \$58,000
\$209,426–\$314,150 35.0%	Single \$3,000	Phaseout—joint \$160,000–\$180,000 MAGI <sup>1</sup>	Annual benefit limit on defined benefit plan \$230,000
Over \$314,150 37.0%	Married, filing separately \$1,500	<b>Kiddie tax</b>	Highly compensated employee makes \$130,000
<b>Head of household</b>	If your capital loss exceeds your capital gains.	Earned income is taxed at single tax bracket rates.	Annual compensation taken into account for qualified plans \$290,000
\$0–\$14,200 10.0%	<b>Estate tax</b>	Unearned income is taxed at the rates of the child's parents.	
\$14,201–\$54,200 12.0%	Transfer tax rate (maximum) 40%		
\$54,201–\$86,350 22.0%	Estate tax exemption \$11,700,000		
\$86,351–\$164,900 24.0%	Gift tax exemption \$11,700,000		
\$164,901–\$209,400 32.0%	Generation-skipping transfer exemption \$11,700,000		
\$209,401–\$523,600 35.0%	Annual gift tax exclusion amount \$15,000		
Over \$523,600 37.0%			
<b>Estates and trusts</b>			
\$0–\$2,650 10.0%			
\$2,651–\$9,550 24.0%			
\$9,551–\$13,050 35.0%			
Over \$13,050 37.0%			

<sup>1</sup> Modified adjusted gross income. <sup>2</sup> Phaseout limit when an IRA contributor is not a participant in a qualified plan but a spouse is.

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### The SECURE Act and the CARES Act—key changes affecting retirement and education savings

The December 2019 enactment of the Setting Every Community Up for Retirement Enhancement Act—better known as the SECURE Act—and the March 2020 enactment of the Coronavirus Aid, Relief, and Economic Security (CARES) Act produced significant changes to the nation’s retirement laws. Key tax-related changes are highlighted below.

For more information, please visit [irs.gov](https://irs.gov) or go to the John Hancock Investment Management tax center at [jhinvestments.com/tax-center](https://jhinvestments.com/tax-center).

#### Key provisions of the SECURE Act and the CARES Act

##### Age for RMDs from retirement accounts is increased

The age at which an individual must begin taking required minimum distributions (RMDs) from traditional IRAs and qualified tax-deferred accounts was increased from 70½ to 72. This change only applies to those who reach 70½ after 2019 (i.e., individuals born after June 30, 1949); those who reached 70½ in 2019 or earlier are unaffected.

##### Age restriction on traditional IRA contributions is eliminated

A restriction that had previously barred contributions to a traditional IRA starting in the year in which the account holder reached 70½ was removed. Effective in 2020, contributions can be made beyond the age of 70½, provided the account holder continues to have earned income.

##### Retirement plan withdrawal allowance for new parents

An individual is now permitted to withdraw up to \$5,000—or up to \$10,000 for a couple—from a qualified retirement plan or IRA at the time of the birth or adoption of a child without incurring an early withdrawal penalty tax. In addition, such distributions can be recontributed beyond the normal 60-day window for indirect rollovers.

##### New restrictions on inherited retirement plan accounts

Previously, individual beneficiaries who inherited IRAs and qualified tax-deferred accounts could extend annual RMDs over their lifetimes.

This approach has been known in the industry as a stretch account, often done through an inherited IRA, because the benefits from tax-deferred growth of the remaining account balance, minus RMDs, could be stretched out for decades. Beginning with deaths occurring in 2020, most individual beneficiaries must withdraw the full account within 10 years after the original account owner’s death. Only certain beneficiaries, such as a surviving spouse, can still stretch RMDs over their life expectancy.

##### 529 accounts may be used to pay down student loan debt

Owners of 529 education savings accounts are now permitted to withdraw up to \$10,000 tax free to pay off qualified student loans as well as use 529 assets to pay for qualified apprenticeship programs. Any student loan interest paid for with tax-free 529 plan earnings is not eligible for the student loan interest deduction.<sup>3</sup>

##### Special coronavirus distribution rules for IRAs and qualified plans

Distributions related to the public health crisis created by the coronavirus pandemic and made by December 30, 2020, are allowed up to a \$100,000 maximum without being subject to the additional 10% early withdrawal penalty on distributions prior to age 59½. In addition, income taxes paid on these distributions can be spread over three years, and the distributions can be recontributed.

### Required minimum distributions<sup>4</sup>

The Uniform Lifetime Table can be used by all IRA owners, starting at age 70, unless their sole beneficiary for the entire year is a spouse who is more than 10 years younger. Then the Joint Life Expectancy Table is used (see IRS Pub. 590), which could reduce the required minimum distribution even further.

#### Uniform Lifetime Table\*

Age of account owner	Divisor	Age of account owner	Divisor
70	27.4	81	17.9
71	26.5	82	17.1
72	25.6	83	16.3
73	24.7	84	15.5
74	23.8	85	14.8
75	22.9	86	14.1
76	22.0	87	13.4
77	21.2	88	12.7
78	20.3	89	12.0
79	19.5	90	11.4
80	18.7		

\* The table progresses until the divisor becomes 1.9 for ages 115 and higher.

<sup>3</sup> Consult your financial, tax, or other advisor to learn how state-based benefits (including any limitations) would apply to your specific circumstances. Some states do not consider 529 withdrawals for primary and secondary school education, student loan repayments, and apprenticeship costs to be qualified withdrawals and, therefore, the investor may be subject to penalties. <sup>4</sup> The CARES Act waived the requirement to take required minimum distributions from defined contribution plans, 403(a) plans, 403(b) contracts, 457 governmental plans, and IRAs for 2020.

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