

2021 Tax Law Changes

■ Topics

- Inflation Adjustments
- Tax Law changes
- Scope changes
- Other issues

■ Inflation Adjustments

- Standard deduction increased to
 - \$25,100 MFJ and QW
 - \$18,800 HoH
 - \$12,550 Single and MFS
- Additional standard deduction amount for age 65 and older and/or blind increased
 - \$1,700 S, HoH
 - \$1,350 MFJ, MFS, QW

■ Dependent Deduction

- Dependent standard deduction is the greater of
 - \$1,100 or
 - Earned income plus \$350 not to exceed standard deduction for filing status

■ Filing Threshold

- Filing thresholds for most taxpayers is their standard deduction
 - See exceptions in footnotes to Chart A
 - Also see Chart C for other situations that must file
- Filing threshold increased by additional standard deduction amount due to age 65 or older
 - Filing threshold not increased by additional amount for blindness

■ Standard Mileage Rates

- Business mileage 56¢
- Medical mileage 16¢
- Moving mileage for active-duty military 16¢
- Charitable mileage 14¢

■ Inflation Adjustments

Questions?



Comments...

■ Tax Law Changes 2021

- Forgiveness of student loans
- Discharge of main home debt
- Higher education grants
- Recovery rebates
- Emergency rental assistance
- Education benefits
- Business meals
- Residential energy credits
- Medical deduction floor
- PMI
- Charitable contributions
- EIP3/RRC2021
- Child tax credits
- Earned income credits
- Child and dependent care credits
- Sick and family leave credits
- Premium tax credits
- 1099-K reporting

■ Tax Law Changes 2021

- A Daunting List
- We may not see many of these
- Counselors need to know where to research
- Pub 4012 Electronic from NTTC
 - Kept up to date
 - Includes Scope notes
 - Easy to use

■ Tax Law Changes 2021 - Discharge of Debt

- Forgiveness of student loans
 - Exclusion from gross income for student debt forgiven
- Discharge of main home debt
 - Exclusion for discharge of main home debt
 - Maximum reduced to \$750,000 (down from \$2,000,000)
 - Applies to discharges after December 31, 2020
 - Effective TY2021 through TY2025

■ Tax Law Changes 2021 – Higher Education Grants

- School grant under the CARES Act for unexpected expenses, unmet financial need, or expenses related to the disruption of campus operations on account of the COVID-19 pandemic
 - Food, housing, course materials, technology, health care, or childcare
- Not includible in gross income
- Does not reduce expenses for either education credit
- Need to analyze student's financial account

■ Tax Law Changes 2021

- Recovery rebates
- Emergency rental assistance
 - Assistance payments are not taxable to the renter
- Education benefits
 - Tuition and Fees deduction repealed after 2020
 - Lifetime Learning Credit & American Opportunity Credit have increased income limits

■ Tax Law Changes 2021

- Business meals
 - Business meal deduction for self-employed is 100% deductible for 2021-2022
- Residential energy credits
 - Extended for 2021 only
- Medical deduction floor
 - 7.5% of AGI for itemized medical

■ Tax Law Changes 2021

- PMI
 - Treated like Interest for 2021 only
- Charitable contributions
 - Add-on to standard deduction for cash contributions of up to \$300 (\$600 for MFJ) for 2021 only

■ Rebate Recovery Credit 2021 (EIP 3)

- 1,400 per individual (\$2,800 for MFJ)
 - Each individual must have SSN
 - \$2,800 for MFJ if either taxpayer or spouse has SSN when either is in military
- \$1,400 per dependent (no age limit this time!)
 - Dependent must have SSN or ATIN
- Decedents who died prior to January 1, 2021, ineligible
- There is a phaseout like EIP1 and EIP 2

- IRS to make advance payments of recovery rebates
 - Based on 2019 return if 2020 return not yet processed
 - Plus-up payment when 2020 return processed
 - Based on data available if no return filed
- IRS to issue rules to avoid abuses / double payments
 - No double dipping, e.g., swapping dependents between spouses or claiming/not claiming a dependent

■ Tax Law Changes 2021

- Premium tax credits (PTC)
 - Best place for reference is 4491, section 26
- 1099-K
 - Third-Party Network Transactions
 - Worker is paid through VISA, Mastercard etc.
 - Gig workers; Uber, Lyft, DoorDash, etc.

■ Tax Law Changes 2021

- Sick Leave and Family Leave Credits for Self-Employed
 - Can elect to use prior year's net earnings from self-employment – checkbox on Basic Information tab
 - NTTC 2021 Self-Employed COVID Worksheet (fillable) incorporates all the changes

■ Tax Law Changes 2021

- Child Tax Credits
- Child and Dependent Care Credit
- Earned Income Credit (EIC)
- There is a phase out.

■ Why, What and so forth

- Nothing herein is final!
- IRS will issue additional guidance
- Form and form instruction revisions will happen
- Additional updates will be communicated as we know them
- STTCs can start to determine state tax implications

■ More 2021 Tax Law Changes to Come?



Other Changes for 2021

■ Other Changes for TY 2021

- RMD (Required Minimum Distribution) ages
- 2020 Coronavirus Related Distributions
- Recontribution of retirement distributions
- IRA contribution after age 70½ and QCD
- Deferred Self-Employment tax
- To amend 2020 return or not amend

■ Required Minimum Distribution Age

- Age for beginning required minimum distributions (RMD) from defined contribution plan or IRA increased to 72 from 70½ for individuals who reach age 70½ after December 31, 2019
- Taxpayers born July 1, 1949, through December 31, 1949, will turn 72 in 2021 and must take RMD by April 1, 2022

■ 2020 Coronavirus Related Distributions

- Taxpayers who used the 3-year spread on F8915-E in 2020
- Need to complete and file F8915-F for 2021
 - To report amount taxable in 2021
 - To report repayments that reduce amount taxable in 2021
- One more thing to check on the 2020 return!

■ Recontribute Retirement Distributions

Amended returns may be needed for repayments:

- Qualified birth or adoption distributions
 - Max \$5,000 per child
 - No time limit specified in the law for repayment
- Qualified Coronavirus-related distributions
 - Max \$100,000
 - Distribution must have been during 2020
 - Repayment must be within 3 years from the day after the date of distribution

Roth IRA for 2021

If your filing status is...	And your modified AGI is...	Then you can contribute...
married filing jointly or qualifying widow(er)	< \$198,000	up to the limit
	≥ \$198,000 but < \$208,000	a reduced amount
	≥ \$208,000	zero
married filing separately and you lived with your spouse at any time during the year	< \$10,000	a reduced amount
	≥ \$10,000	zero
single, head of household, or married filing separately and you did not live with your spouse at any time during the year	< \$125,000	up to the limit
	≥ \$125,000 but < \$140,000	a reduced amount
	≥ \$140,000	zero

Caution: TaxSlayer does not alert to excess contributions

Double Caution: TaxSlayer does not limit Retirement Savings Credit to allowable contribution

■ Questions?

Questions...



Comments...

