

# Summary of Personal and Selected Business Tax Changes for 2021

Henry Murphy January 2022

**Child Tax Credit** Letter 6419 details the total amount of advance Child Tax Credit payments you received in 2021 and the number of qualifying children used to calculate the payments. Schedule 8812 is used to claim your remaining credit or determine if you must pay any back. Families who do not normally need to file a tax return should do so to receive their payments. The IRS online portal has improved if you want to check that way. **The Credit Amount** is \$3,000 Refundable Amount \$3,000 (\$3,600 in the case of a child under age 6) Additional \$1,000 (or \$1,600, as applicable) amount for 2021 phases out \$50 for every \$1,000 AGI over \$150,000 (MFJ/SS), \$112,500 (HOH), \$75,000 (all others) \$2,000 credit amount for 2021 and 2022 phases out \$50 for every \$1,000 AGI over \$400,000 (MFJ), \$200,000 (all others)

The **Standard Deduction** is large, and that, combined with the \$10,000 maximum deduction for state and local taxes, means fewer taxpayers will itemize. We will help figure it if you give us the unreimbursed medical, home mortgage interest, and charitable amounts. NJ allows up to \$15,000 in property tax deductions.

Filing Status	Standard Deduction Amount
Married Filing Jointly and Surviving Spouses	\$25,100
Heads of Household	\$18,800
Single Individuals and Married Filing Separately	\$12,550
Dependent	Cannot exceed the greater of \$1,100, or the sum of earned income plus \$350
Additional standard deduction for aged & blind	\$1,350 (\$1,700, if unmarried and not surviving spouse)

**Personal exemptions** are still \$0.

**Education incentives** remain, but they are phased out for higher income taxpayers:

Tuition Deduction – “Above-the-line” deduction for qualified tuition and related expenses repealed for tax years after 2020. Student Loan Interest Deduction – “Above-the-line” deduction up to \$2,500 (2021 and 2022); no time limit on deductibility period; subject to income limitations. Education Credits – American Opportunity Credit is up to \$2,500 in 2021 and 2022 per student for first four years of higher education expenses paid. Lifetime Learning Credit is 20% of tuition paid up to \$2,000 per return for 2021 and 2022. Both credits are subject to income limitations and cannot be used in conjunction with each other for the same student. Section 529 Plans (Qualified Tuition Programs) – Distributions used for qualified higher education expenses are income tax free. Contributions are potentially subject to gift tax, but are eligible for the per-donee annual exclusion (\$15,000 for 2021; \$16,000 for 2022). Donor can elect to treat up to \$75,000 of the contribution in 2021 (\$80,000 in 2022) as if it had been made ratably over a 5-year period. Coverdell Education Savings Accounts (Education IRAs) – Contribution limit is \$2,000 in 2021 and 2022; subject to income limitations

## Long term capital gain rates

	0%	15%	20%
MFJ/SS	\$0 - \$80,800	\$80,801 - \$501,600	over \$501,600
MFS	\$0 - \$40,400	\$40,401 - \$250,800	over \$250,800
HoH	\$0 - \$54,100	\$54,101 - \$473,750	over \$473,750
Single	\$0 - \$40,400	\$40,401 - \$445,850	over \$445,850
E&T	\$0 - \$2,700	\$2,701 - \$13,250	over \$13,250

## Individuals can base federal estimated tax payments on:

1) 90% of current tax, 2) 100% of prior year’s tax, or 3) 110% of prior year’s tax if prior year’s AGI is > \$150,000 (> \$75,000 for Married Filing Separately) • Annualization exception • No penalty if tax less withholding < \$1,000 or no tax liability in preceding tax year

**New Jersey News:** Many for the 2022 tax year, few for the 2021 tax year.

**Retirement Income Exclusions** For Tax Year 2021, the income limit for a Retirement Income Exclusion increases to \$150,000 from \$100,000 but with a phase out in that range rather than a cliff.

**The New Jersey EITC** amount is 40% of the federal Earned Income Tax Credit for 2021. The age requirement for an NJEITC has expanded to those as young as 18 years of age, as well as those over age 65, with no dependents.

**Child and Dependent Care Credit** The taxable income amount increased to \$150,000 or less to qualify for this [credit](#).

**Credit for Excess UI/WF/SWF; DI; FLI Withheld** For 2021, the maximum employee unemployment insurance/workforce development partnership fund/supplemental workforce fund contribution was \$153.85. The maximum employee disability insurance contribution was \$649.54. The maximum employee family leave insurance contribution was \$386.96. If you had two or more employers, you may have contributed more than the maximum amount(s). You can claim the credit on your return.

**Credit for Taxes Paid to Other Jurisdictions** The Philadelphia nonresident wage tax rate for 2021 was 3.5019% (.035019) from January 1 to June 30, and 3.4481% (.034481) from July 1 to December 31.

**Veterans.** There is a \$6,000 exclusion. You need to obtain a confirmation number from the state and give us the number

## Property Tax Relief Programs

*Senior Freeze (Property Tax Reimbursement)*

The Senior Freeze Program reimburses eligible senior citizens or disabled persons for property tax increases. Eligible residents must file a 2021 Senior Freeze application (Form PTR-1 or PTR-2).

## FEDERAL INCOME TAX RATES (INDIVIDUALS, TRUSTS AND ESTATES)

### 2021 TAX RATES FOR SINGLE INDIVIDUALS

If taxable income is:	The tax is:
0 to \$9,950	10%
\$9,951 to \$40,525	\$995.00 plus 12% of the amount over \$9,950
\$40,526 to \$86,375	\$4,664.00 plus 22% of the amount over \$40,525
\$86,376 to \$164,925	\$14,751.00 plus 24% of the amount over \$86,375
\$164,926 to \$209,425	\$33,603.00 plus 32% of the amount over \$164,925
\$209,426 to \$523,600	\$47,843.00 plus 35% of the amount over \$209,425
\$523,601 and over	\$157,804.25 plus 37% of the amount over \$523,600

### 2021 TAX RATES FOR MARRIED FILING JOINTLY AND SURVIVING SPOUSES

If taxable income is:	The tax is:
0 to \$19,900	10%
\$19,901 to \$81,050	\$1,990.00 plus 12% of the amount over \$19,900
\$81,051 to \$172,750	\$9,328.00 plus 22% of the amount over \$81,050
\$172,751 to \$329,850	\$29,502.00 plus 24% of the amount over \$172,750
\$329,851 to \$418,850	\$67,206.00 plus 32% of the amount over \$329,850
\$418,851 to \$628,300	\$95,686.00 plus 35% of the amount over \$418,850
\$628,301 and over	\$168,993.50 plus 37% of the amount over \$628,300

### 2021 TAX RATES FOR MARRIED FILING SEPARATELY

If taxable income is:	The tax is:
0 to \$9,950	10%
\$9,951 to \$40,525	\$995.00 plus 12% of the amount over \$9,950
\$40,526 to \$86,375	\$4,664.00 plus 22% of the amount over \$40,525
\$86,376 to \$164,925	\$14,751.00 plus 24% of the amount over \$86,375
\$164,926 to \$209,425	\$33,603.00 plus 32% of the amount over \$164,925
\$209,425 to \$314,150	\$47,843.00 plus 35% of the amount over \$209,425
\$314,151 and over	\$84,496.75 plus 37% of the amount over \$314,150

### 2021 TAX RATES FOR HEADS OF HOUSEHOLD

If taxable income is:	The tax is:
0 to \$14,200	10%
\$14,201 to \$54,200	\$1,420.00 plus 12% of the amount over \$14,200
\$54,201 to \$86,350	\$6,220.00 plus 22% of the amount over \$54,200
\$86,351 to \$164,900	\$13,293.00 plus 24% of the amount over \$86,350
\$164,901 to \$209,400	\$32,145.00 plus 32% of the amount over \$164,900
\$209,401 to \$523,600	\$46,385.00 plus 35% of the amount over \$209,400
\$523,601 and over	\$156,355.00 plus 37% of the amount over \$523,600

### 2021 TAX RATES FOR TRUSTS AND ESTATES

If taxable income is:	The tax is:
0 to \$2,650	10%
\$2,651 to \$9,550	\$265.00 plus 24% of the amount over \$2,650
\$9,551 to \$13,050	\$1,921.00 plus 35% of the amount over \$9,550
\$13,051 and over	\$3,146.00 plus 37% of the amount over \$13,050

## New Jersey Tax Rate Schedules

Single	Married
Tax rate of 1.75% on taxable income between \$20,001 and \$35,000.	Tax rate of 1.4% on the first \$20,000 of taxable income.
Tax rate of 3.5% on taxable income between \$35,001 and \$40,000.	Tax rate of 1.75% on taxable income between \$20,001 and \$50,000.
Tax rate of 5.525% on taxable income between \$40,001 and \$75,000.	Tax rate of 2.45% on taxable income between \$50,001 and \$70,000.
Tax rate of 6.37% on taxable income between \$75,001 and \$500,000.	Tax rate of 3.5% on taxable income between \$70,001 and \$80,000.
Tax rate of 8.97% on taxable income between \$500,001 and \$5,000,000.	Tax rate of 5.525% on taxable income between \$80,001 and \$150,000.
Tax rate of 10.75% on taxable income over \$5,000,000.	Tax rate of 6.37% on taxable income between \$150,001 and \$500,000.
	Tax rate of 8.97% on taxable income between \$500,001 and \$5,000,000.
	Tax rate of 10.75% on taxable income over \$5,000,000.