

2021 TAX LAW CHANGES

Please read these items carefully as they may affect the filing of your 2021 income tax return and also have an affect on your organization or business.

1. The social security/medicare rates remain the same. The **maximum earnings** subject to social security tax for 2021 is \$142,800 and for 2022 is \$137,700.
2. The **allowable mileage rate** for 2021 was 56.0 cents per mile and for 2021 is 58.5 cents per mile.
3. Effective for payments made after March 27, 2020 employers can pay the principal or interest of an employees **qualified education loan** and exclude the benefit from the employees taxable income.
4. Up to \$10,200 in **unemployment benefits** are excluded from taxable income if the taxpayer makes less than \$150,000.00.
5. Effective 2021 up to \$300 (\$600 MFJ) of **qualified charitable contributions** are deductible after the adjusted gross income and in most cases the limitation for cash contributions is increased to 100%.
6. Effective for the 2021 tax year only, if the **earned income** for 2021 is less than the earned income for 2019, the taxpayer may elect to use the 2019 earned income when calculating the 2021 earned income credit.
7. Effective for the 2021 tax year only, the **Child Tax Credit** is increased to \$3,000 per qualifying child, and \$3,600 per qualifying child who has not yet attained the age of 6 as of the close of the calendar year. The new law also increased the age limitation from age 16 to age 17.
8. Effective for the 2021 tax year only, the **dependent care expense** limitation for one child is increased to \$8,000 and for two children it is increased to \$16,000. The credit is fully refundable.
9. In most cases the **PPP loans** received from SBA, are being forgiven and the amounts are not taxable to the individual or business receiving them.
10. Effective for 2021 and 2022 only, a taxpayer can deduct 100% of the cost of a **business meal** that is purchased in a restaurant.
11. Under the law, **student loan debt** forgiven may be excluded from taxable income if the individual works in a certain profession for a certain period of time in some type public service.

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12. **Virtual Currency** is considered a capital asset. Using virtual currency to purchase an item is treated as a capital gain if the fair market value of the item purchased is greater than the cost based on the virtual currency, or a capital loss if the fair market value of the item purchased is less than the cost basis of the virtual currency.
13. As seen in the past years, **tax returns** have been decreased in size, however for 2021 on Form 1040, Schedules 1, 2, and 3 have been increased to two pages each.
14. **Farming losses** arising in the tax years beginning in 2021 or later may be carried back two years and carried forward indefinitely.
15. Taxpayers may be able to exclude income from **cancellation of qualified principal residence indebtedness** which is discharged before January 1, 2026.
16. **Section 179 deduction** for 2021 has increased as follows: the deduction limitation is \$1,050,000 and the investment limitation has increased to \$2,620,000.
17. The maximum Section 179 expense for SUV's is \$26,200 for 2021.
18. **The tuition and fees deduction** for tax years beginning after December 31, 2020, has been repealed.
19. **The estate and gift tax exclusion** has been increased to \$11,700,000.
20. **The annual exclusion** amount for gifts is \$15,000 for 2021.