

## KANAWHA CURRENTS

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With the passage of the American Rescue Plan now in the rear-view mirror, attention is shifting to how the new administration and Congress will attempt to move forward with plans for comprehensive tax reform. While some are predicting any statutory tax changes will be deferred until 2022, there is much uncertainty around the substance and timing of any new tax legislation. As always, we encourage our clients to consult with their tax accountants with respect to tax planning decisions. Below is a brief overview outlining some of the proposals which, if enacted, could affect our clients.

### Corporate Tax Rates

The White House has stated they would like to raise the statutory rate on corporate profits from 21% to 28%. Some have recently suggested Democrats may be willing to accept a more modest increase closer to a 25% rate.

### Ordinary Income Tax Rates

The new administration has signaled a desire to levy higher rates on those with incomes greater than \$400,000. They have proposed raising the top rate from 37% to 39.6%. It is not clear whether the \$400,000 threshold would be for all filing groups or just joint filers.

### Capital Gain Tax Rates

Biden has proposed taxing long-term capital gains at ordinary income rates, or 39.6%, for those with incomes greater than \$1 million. It is not clear whether qualified stock dividends would also be subject to this higher rate.

### Deductions

There is speculation as to whether the cap on state and local taxes (SALT) will be eliminated. This would tend to favor higher earners allowing them to increase their itemized deductions. To offset this, the administration has floated the idea of capping the value of itemized deductions to 28% for those with incomes greater than \$400,000.

### Estate Tax

The lifetime gift and estate tax exemption is \$11.7 million per person for 2021. If left alone, this exemption amount is scheduled to revert to the pre-2018 tax overhaul level of \$5 million per person, adjusted for inflation, after 2025. However, the current administration has suggested they would like to lower the exemption amount as part of any comprehensive tax package. They have also stated a desire to raise the estate tax rate from 40% to 45%. Furthermore, there is talk about eliminating the step-up in basis rule for a decedent's appreciated assets.

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We are including current income tax tables and other important financial information on the next page. These figures are subject to change in the event any adopted legislation is made retroactive to January 1, 2021.

# KANAWHA CAPITAL MANAGEMENT

## 2021 Important Financial Information

2021 Tax Rate Schedule		Capital Gains Tax Rates	
Taxable Income	Marginal Rate	Short-Term Capital Gain Rates (held 1 year or less)	
Single (Unmarried Individuals)		Same as ordinary income	
\$0 to \$9,950	10%	Long-Term Capital Gains (held > 1 year) and Qualified Dividends	
\$9,951 to \$40,525	12%	Single	Married Filing Jointly
\$40,526 to \$86,375	22%	Up to \$40,400	Up to \$80,800
\$86,376 to \$164,925	24%	\$40,401 to \$445,850	\$80,801 to \$501,600
\$164,926 to \$209,425	32%	\$445,851 +	\$501,601 +
\$209,426 to \$523,600	35%	Up to \$54,100	\$54,101 to \$473,750
\$523,601 +	37%	\$473,751 +	Rate
			0%
			15%
			20%
Married Filing Jointly & Surviving Spouse		Income Tax Deductions and Exemptions	
\$0 to \$19,900	10%	Standard Deduction	
\$19,901 to \$81,050	12%	Single	\$12,550
\$81,051 to \$172,750	22%	Married filing jointly	\$25,100
\$172,751 to \$329,850	24%	Head of household	\$18,800
\$329,851 to \$418,850	32%	Over age 65 or blind additional standard deduction	
\$418,851 to \$628,300	35%	Married or surviving spouse	\$1,350
\$628,301 +	37%	Single or not a surviving spouse	\$1,700
		Personal exemption	None
Head of Household		Retirement Plan Contribution Limits	
\$0 to \$14,200	10%	401(k), 403(b), 457 plans elective deferrals	
\$14,201 to \$54,200	12%	Catch-up contributions for 50 and older	\$19,500
\$54,201 to \$86,350	22%	Defined contribution plans	\$6,500
\$86,351 to \$164,900	24%	Defined benefit plans	\$58,000
\$164,901 to \$209,400	32%	SIMPLE plans elective deferrals	\$230,000
\$209,401 to \$523,600	35%	Catch-up contributions for 50 and older	\$13,500
\$523,601 +	37%	Traditional and Roth IRA	\$3,000
		Catch-up contributions for 50 and older	\$6,000
Married Filing Separately		Traditional IRA deductibility for active participants	
\$0 to \$9,950	10%	Single	Phaseout Limits: \$66,000 to \$76,000
\$9,951 to \$40,525	12%	Joint	\$105,000 to \$125,000
\$40,526 to \$86,375	22%	Spousal IRA if one spouse is covered by a plan	
\$86,376 to \$164,925	24%	Married filing separately	\$198,000 to \$208,000
\$164,926 to \$209,425	32%	Roth IRA income phaseout	
\$209,426 to \$314,150	35%	Single and Head of Household	\$125,000 to \$140,000
\$314,151 +	37%	Joint	\$198,000 to \$208,000
		Married filing separately	\$0 to \$10,000
Estates and Trusts		Health Savings Account (HSA) Contribution Limits = \$3,600 for Self Only, \$7,200 for Family	
\$0 to \$2,650	10%	Catch-up contributions of \$1,000 for age 55 and older	
\$2,651 to \$9,550	24%		
\$9,551 to \$13,050	35%		
\$13,051 +	37%		
Estate and Gift Tax		Medicare Surtaxes	
Annual gift tax exclusion	\$15,000	0.9% on wages that exceed \$200,000 (Single) or \$250,000 (Married FJ)	
Estate and gift tax exclusion	\$11,700,000	3.8% on net investment income that falls above MAGI of \$200,000 (Single) or \$250,000 (Married FJ)	
Maximum estate tax rate	40%		
Medicare			
Part A Hospitalization			
First 60 days inpatient deductible		\$1,484 for each benefit period	
Days 61 - 90		\$371 per day, for each benefit period	
Days 91 +		\$742 per day, up to 60 days over lifetime, then full amount per day	
Part B Premium: Those participants who enroll in Medicare Part B for the first time in 2021, whose MAGI from 2019 exceeded certain thresholds, or who don't get Social Security benefits may be subject to the premiums below.			
MAGI Single (for 2019)	MAGI Joint (for 2019)	Part B Monthly Premium	Part D Addition to Plan Premium
\$88,000 or less	\$176,000 or less	\$148.50	\$0
\$88,001 to \$111,000	\$176,001 to \$222,000	\$207.90	\$12.30
\$111,001 to \$138,000	\$222,001 to \$276,000	\$297.00	\$31.80
\$138,001 to \$165,000	\$276,001 to \$330,000	\$386.10	\$51.20
\$165,001 to \$500,000	\$330,001 to \$750,000	\$475.20	\$70.70
\$500,001 +	\$750,001 +	\$504.90	\$77.10
Part B Deductible		\$203	
Coinsurance		20% of Medicare-approved amount for most services	

Source: irs.gov, Rev. Proc. 2020-45, Centers for Medicare & Medicaid Services.

The data contained on this sheet is for informational purposes only and should not be interpreted as tax or investment advice.  
Consult your tax professional for specific advice about your personal situation.