

Tax Alert

2021 Updates

It's Time to Play the Numbers

Happy New Year! While everyone is trying to keep to their New Year's resolutions, we are focusing on the changes in federal gift and estate tax exemptions, exclusions, and retirement contribution limits (so you don't have to!). For 2021, the federal estate, gift, and generation-skipping tax exemption has increased to \$11.7 million per person, which is \$23.4 million per couple – good news for people who want to make large gifts in 2021. The annual gift tax exclusion amount remains steady at \$15,000 per donee.

The 2021 annual contribution limit for 401(k)s and 403(b)s remains \$19,500 (\$26,000 for individuals age 50 and older) and the combined annual contribution limit for Roth and traditional IRAs remains \$6,000 (\$7,000 for individuals age of 50 and older). Even though the IRA contribution amounts have not changed, there have been changes to the income-related Phase Out ranges for tax-deductible contributions to a traditional IRA and for direct contributions to a Roth IRA (we are not talking about a Back Door Roth IRA here). Once your income level reaches the applicable Phase Out range, the tax-deductible amount you can contribute to a traditional IRA and the total amount you can directly contribute to a Roth IRA decreases until your income exceeds the range, at which point will not be able to make said contributions. Note that the Phase Out ranges for tax-deductible contributions to a traditional IRA only apply if the contributor (or the contributor's spouse) is covered by a workplace retirement plan.

The new Phase Out ranges for tax-deductible contributions to traditional IRAs are as follows:

- \$66,000 to \$76,000 for a single person covered by a workplace retirement plan.
- \$105,000 to \$125,000 for a married couple filing jointly if the person making the contribution is covered by a workplace retirement plan.
- \$198,000 and \$208,000 for a married couple if the spouse making the contribution is not covered by a workplace retirement plan, but the other spouse is covered.
- \$0 to \$10,000 for a married person filing separately if said person is covered by a workplace retirement plan.

The new Phase Out ranges for direct contributions to Roth IRAs are as follows:

- \$125,000 to \$140,000 for single taxpayers and heads of household.
- \$198,000 to \$208,000 for married persons filing jointly.
- \$0 to \$10,000 – Married, filing separately.

A full list of all 2021 adjusted items may be found at <https://www.irs.gov/pub/irs-drop/rp-20-45.pdf>



[Visit our website](#)

The material is provided herein for educational and informational purposes only and should not be construed as legal advice. This Alert may constitute attorney advertising and is not intended to communicate with anyone in a jurisdiction where such an Alert fails to comply with all laws and ethical rules of said jurisdiction.

© 2021 Bove & Langa, P.C. All rights reserved. Permission to copy is granted provided that full attribution is given to Bove & Langa, P.C.

617.720.6040

