

United States: Key 2020 and 2021 federal tax rates and limits

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In brief

The following is a high-level summary of some key US federal individual tax rates and limits for 2020 and 2021. This compilation is intended to serve as a reference guide for companies with globally mobile workforces as they prepare for individual tax filings relating to 2020, as well as planning for 2021.

Note that two laws enacted in 2020 included individual-related tax changes impacting both the 2020 and 2021 tax years. Most notably relating to rates and limits, the following changes were made:

- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020, changed certain limitations relating to charitable contribution deductions for the 2020 tax year. The Consolidated Appropriations Act, 2021 (CAA) that was signed into law on December 27, 2020 made further changes to this deduction affecting the 2021 tax year (summarized below).
- The CAA permanently extended the 7.5% of adjusted gross income (AGI) floor for the medical and dental expense deduction.

In detail

Specific tax levies and income tax withholding

Social security and Medicare taxes (FICA and SE tax)	2020	2021
Social security (SS) wage base	US \$137,700	\$142,800
SS maximum – 6.2%	\$8,537.40	\$8,853.60
Medicare – 1.45%*	No ceiling	No ceiling

*See below for 'Additional Medicare tax' that applies to wages and other compensation in excess of an applicable threshold amount.

Additional Medicare tax	2020		2021	
A 0.9% tax is imposed on individual wages and other compensation in excess of the following threshold amounts:	Single	\$200,000	Single	\$200,000
	MFJ	\$250,000	MFJ	\$250,000
	MFS	\$125,000	MFS	\$125,000
	HOH	\$200,000	HOH	\$200,000

* 'MFJ' means married filing jointly, 'MFS' means married filing separately, and 'HOH' means head of household

Tax on net investment income	2020		2021	
A 3.8% tax is imposed on the lesser of net investment income or the excess of modified adjusted gross income over the following threshold amounts:	Single	\$200,000	Single	\$200,000
	MFJ	\$250,000	MFJ	\$250,000
	MFS	\$125,000	MFS	\$125,000
	HOH	\$200,000	HOH	\$200,000

Supplemental withholding flat rates	2020	2021
Supplemental wages up to \$1,000,000 (optional)*	22%	22%
Supplemental wages greater than \$1,000,000	37%	37%

*In lieu of regular tax withholding rates and available only if certain requirements are met.

Calculating individual taxable income

Personal exemptions (PE)	2020	2021
Personal exemption	0	0

*The personal exemption is temporarily eliminated for tax years 2018-2025.

Standard deduction	2020		2021	
Standard deduction	Single	\$12,400	Single	\$12,550
	MFJ	\$24,800	MFJ	\$25,100
	MFS	\$12,400	MFS	\$12,550
	HOH	\$18,650	HOH	\$18,800

*The Tax Cuts and Jobs Act (TCJA) in 2017 temporarily eliminated the PE and put in place larger standard deductions and child tax credits for tax years 2018-2025.

Itemized deductions	2020	2021
<i>Deduction for state and local taxes</i> not accrued in a trade or business, or on property held for the production of income (this includes income, sales, real estate, and property taxes – foreign real property taxes are not deductible):	May not exceed \$10,000, MFS \$5,000*	May not exceed \$10,000, MFS \$5,000*
AGI threshold that <i>unreimbursed medical and dental expense</i> deductions must reach before a deduction is permitted for all taxpayers:	7.5%**	7.5%**
Deduction for <i>mortgage interest</i> only for qualified indebtedness up to certain amounts: (Note that interest on home equity debt is suspended for 2018-2025 unless the home equity loan proceeds are used for acquiring, constructing, or substantially improving any qualified residence and are secured by such residence. A qualified residence is defined as the principal residence and one other property used as a residence.)	\$1M (limited to \$750,000 for 'new debt')	\$1M (limited to \$750,000 for 'new debt')

* Bills recently have been introduced within the House and Senate to repeal this cap. House Speaker Nancy Pelosi and Senate Majority Leader Chuck Schumer have repeatedly called for its repeal.

**The lower threshold for unreimbursed medical and dental expense deductions of 7.5% (prior to 2017, it was 10%) was extended through the end of 2020 and recently made permanent.

Note: The TCJA in 2017 made various other changes to itemized deductions. For example, the overall reduction in itemized deductions by 3% of AGI in excess of certain amounts was repealed for tax years 2018-2025. Other changes were made to items including, for example, state and local taxes, employee business expenses, tax preparation fees, other 2% miscellaneous items, alimony, and moving expenses. For more information, see Global Mobility [Insight](#) (2017).

Charitable contribution deductions	2020	2021
Special deduction for non-itemizing taxpayers	May not exceed \$300 (single, MFJ, HOH) or \$150 (MFS)	May not exceed \$300 (single, MFS, HOH) or \$600 (MFJ)
Limit on charitable contributions to a certain percentage of the taxpayer's AGI for those that itemize	100%	100%

Standard mileage rates	2020	2021
Business	\$0.575	\$0.56
Charitable	\$0.14	\$0.14
Medical and moving	\$0.17	\$0.16

Section 911	2020	2021
Annual exclusion	\$107,600	\$108,700
Base housing amount	\$17,216	\$17,392
Standard qualified housing expense limit*	\$32,280	\$32,610

*Adjustments to the limitation are provided for certain countries with high housing costs. 2020 adjusted limitations are included in Rev. Proc. 2019-44. See Rev. Proc. 2020-45 for the 2021 foreign earned income exclusion amount.

Expatriation	2020	2021
Five-year average annual net income tax in excess of the following amount:	\$171,000	\$172,000
Amount of net gain from mark-to-market tax regime includible in gross income of covered expatriate is reduced (but not below zero) by:	\$737,000	\$744,000

Calculating the individual income tax due

Alternative minimum tax	2020		2021	
Alternative minimum tax (AMT) exemption amounts (subject to phase-out described in the table below):	Single	\$72,900	Single	\$73,600
	MFJ	\$113,400	MFJ	\$114,600
	MFS	\$56,700	MFS	\$57,300
	HOH	\$72,900	HOH	\$73,600

Alternative minimum tax phase-out	2020		2021	
The phase-out of the AMT exemption amount begins when the alternative minimum taxable income exceeds the following amounts:	Single	\$518,400	Single	\$523,600
	MFJ	\$1,036,800	MFJ	\$1,047,200
	MFS	\$518,400	MFS	\$523,600
	HOH	\$518,400	HOH	\$523,600

Capital gains tax	2020	2021
Long term:	15%/20%	15%/20%
Lower-income taxpayers:	0%	0%
Short term:	Ordinary rates	Ordinary rates

For 2020, the 20% long term capital gains tax rate applies when the lesser of adjusted net capital gain or taxable income is at least \$496,600 (MFJ), \$441,450 (single), \$248,425 (MFS), and \$469,050 (HOH). For 2021, these amounts are \$501,600 (MFJ), \$445,850 (single), \$250,800 (MFS), and \$473,750 (HOH).

Qualified dividends	2020	2021
Qualified dividend rate:	15%/20%	15%/20%
Lower-income taxpayers:	0%	0%
Nonqualified dividends:	Ordinary rates	Ordinary rates

Qualified dividend income generally is taxed at the same rates and thresholds that apply to net long-term capital gains (see above.)

Child tax credit	2020	2021
Child tax credit (per child)	\$2,000 (\$1,400 refundable) \$500 nonrefundable credit for dependents other than qualifying children and for qualifying children without social security numbers	\$2,000 (\$1,400 refundable) \$500 nonrefundable credit for dependents other than qualifying children and for qualifying children without social security numbers

Note: The qualifying child (who has not attained the age of 17) must have a social security number by the due date of the taxpayer's return in order to claim the credit, except for the \$500 nonrefundable credit, whereby dependent must have an individual taxpayer identification number (ITIN). The credit is subject to phase-out for individuals with income over certain threshold amounts. Phase-out limitations are increased after 2017 and apply when taxpayers have modified adjusted gross income in excess of \$400,000 for married filing jointly, and \$200,000 for all others.

The House Ways and Means Committee on February 10 and 11, 2021 advanced legislation that proposes to increase the child tax credit to \$3,000 per child (\$3,600 for children under six) and make it fully refundable and advanceable. See PwC WNTS [Tax Insight](#).

Other

Gift tax limits	2020	2021
Annual exclusion from total amount of taxable gifts*:	\$15,000	\$15,000
Annual exclusion for gifts to non-US citizen spouses*:	\$157,000	\$159,000

*This amount is per donor and per donee and refers to gifts that are not future interests in property.

Federal individual income tax rates

2020: Married filing jointly and surviving spouses

Over	Not over	Tax	% on excess
0	19,750	0	10%
19,750	80,250	1,975	12%
80,250	171,050	9,235	22%
171,050	326,600	29,211	24%
326,600	414,700	66,543	32%
414,700	622,050	94,735	35%
622,050		167,307.50	37%

2021: Married filing jointly and surviving spouses

Over	Not over	Tax	% on excess
0	19,900	0	10%
19,900	81,050	1,990	12%
81,050	172,750	9,328	22%
172,750	329,850	29,502	24%
329,850	418,850	67,206	32%
418,850	628,300	95,686	35%
628,300		168,993.50	37%

2020: Single

Over	Not over	Tax	% on excess
0	9,875	0	10%
9,875	40,125	987.50	12%
40,125	85,525	4,617.50	22%
85,525	163,300	14,605.50	24%
163,300	207,350	33,271.50	32%
207,350	518,400	47,367.50	35%
518,400		156,235	37%

2021: Single

Over	Not over	Tax	% on excess
0	9,950	0	10%
9,950	40,525	995	12%
40,525	86,375	4,664	22%
86,375	164,925	14,751	24%
164,925	209,425	33,603	32%
209,425	523,600	47,843	35%
523,600		157,804.50	37%

2020: Married filing separately

Over	Not over	Tax	% on excess
0	9,875	0	10%
9,875	40,125	987.50	12%
40,125	85,525	4,617.50	22%
85,525	163,300	14,605.50	24%
163,300	207,350	33,271.50	32%
207,350	311,025	47,367.50	35%
311,025		83,653.75	37%

2021: Married filing separately

Over	Not over	Tax	% on excess
0	9,950	0	10%
9,950	40,525	995	12%
40,525	86,375	4,664	22%
86,375	164,925	14,751	24%
164,925	209,425	33,603	32%
209,425	314,150	47,843	35%
314,150		84,496.75	37%

2020: Head of household

Over	Not over	Tax	% on excess
0	14,100	0	10%
14,100	53,700	1,410	12%
53,700	85,500	6,162	22%
85,500	163,300	13,158	24%
163,300	207,350	31,830	32%
207,350	518,400	45,926	35%
518,400	0	154,793.50	37%

2021: Head of household

Over	Not over	Tax	% on excess
0	14,200	0	10%
14,200	54,200	1,420	12%
54,200	86,350	6,220	22%
86,350	164,900	13,293	24%
164,900	209,400	32,145	32%
209,400	523,600	46,385	35%
523,600	0	156,355	37%

Note: 2020 rate tables are provided in Rev. Proc. 2019-44; 2021 rate tables are provided by Rev. Proc. 2020-45.

The takeaway

During the presidential campaign, President Biden proposed a number of individual tax changes that would offset the cost of certain spending and tax incentive proposals. These proposals, if enacted, would alter the data above. They include, for example:

- Restore pre-2017 Act tax rates for income above \$400,000 (increasing highest rate from 37% to 39.6%)
- Tax capital gains and qualified dividends income at ordinary rates for individuals with incomes above \$1 million
- Tax unrealized capital gains in excess of \$100,000 at death or gift for individuals with incomes above \$400,000
- Limit tax benefit of itemized deductions to 28% and restore limitation on itemized deductions for individuals with income above \$400,000
- Increase the child tax credit to \$3,000 for children 17 or younger; new \$600 bonus credit for children under six
- Apply Social Security (OASDI) portion of payroll tax and self-employment tax to income above \$400,000
- Restore estate, gift, and GST rules to 2009 levels.

Federal and state governments will continue to navigate the fiscal challenges facing individuals, businesses, and governments. Legislation to address these challenges may be proposed, and for some individuals, this could result in higher US tax burdens. Modeling and planning for these changes likely will be a significant part of 2021 for many taxpayers. For those mobile employees that are either US citizens working abroad or non-US employees working in the United States, employers will want to evaluate the potential cost impact of these proposed changes.

For a detailed analysis and understanding how the pandemic, economic challenges, and political divisions will drive tax legislation and other policy changes over the next two years, see [PwC's 2021 Tax Policy Outlook: The changing horizon](#).

Let's talk

For a deeper discussion of how this information might affect your business, please contact your regular Global Mobility Services engagement team or one of the following team members:

Global Mobility Services – United States

John Shea, *US Leader*
+1 (310) 809-9234
john.w.shea@pwc.com

Al Giardina
+1 (914) 420-2631
alfred.giardina@pwc.com

Derek Nash
+1 (203) 249-3695
derek.m.nash@pwc.com

Clarissa Cole
+1 (617) 359-7639
clarissa.cole@pwc.com

Global Mobility Services – United Kingdom

Leo Palazzuoli, *Global and UK Leader*
+44 7738 310312
leo.palazzuoli@pwc.com

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