

2021 - Brown, Brown and Associates, P.C. - 2021 Merry Christmas! Happy New Year!

What a Year!!!!

Thoughts and Prayers 2020 passed with a bang and then 2021 rushed in and I have to say "What a year 2021 has been!" Our neighbors in West TN, KY and IN were hit by a horrible tornado. I traveled to Mayfield, KY to help and saw firsthand the devastation. Please keep those affected by this disaster in your prayers.

Thank you for being such awesome clients and friends!
We exist to serve you!

Employee Retention Credit is a refundable tax credit against certain employment taxes equal to 50% of qualified wages that an eligible employer pays to employees after March 12, 2020. If you continued to pay your employees through the end of 2020 and your business income declined, you need to file for this credit. We can help, give us a call. Below is a website that gives you specific details about who qualifies:

<https://www.irs.gov/coronavirus/employee-retention-credit>

Expanded Child Tax Credit If you have dependents under the age of 18, you may have noticed extra deposits in your bank account starting in July, 2021. Expanded child tax credit was being paid monthly through December 21 and it stops after 2021. If your earnings were over \$75,000 if single, \$150,000 if married, you may have received these payments but you should not have. These credit payments will affect your refund or the amount of tax you may owe.

Questions - Tax Law Changes On December 29th, 2020 Democratic Senator Joe Manchin stated that he would not vote for the "Build Back America" legislative proposal. In a time of great uncertainty - once again we cannot predict the future, but it looks as if getting sweeping tax law changes for the 2022 tax year may not develop. Capital Gains changes? Estate Tax Changes?

Filing Deadline "Very Important" We are back to our normal filing deadlines for the 2021 tax year. Individual 1040 tax returns and C-Corporation 1120 tax returns need to be submitted by April 18th, 2021. Partnership 1065 tax returns, Limited Liability Company 1065 tax returns, and S-Corporation 1120-S tax returns need to be submitted by March 15th, 2022. Both individuals and businesses can get a six month extension if more time is needed, but the extension needs to be filed before the initial filing deadline. **Remember: We do not automatically get extensions for clients each year.** It is your responsibility to contact the specific office that services your account and make the appropriate request and/or arrangements to get an extension. We are more than happy to help you with an extension, but please call our offices if you need one!

Payroll Protection Program (PPP) and Loan Forgiveness

Remember that PPP loan forgiveness is not taxable!! And that you can deduct all business expenses that were used with PPP money!!!! So make sure that you do not include that in the income that you have given us for tax preparation or if you have it included in income - please make sure we know how much you received so that we can adjust taxable income.

Internal Revenue Service Online Account The Internal Revenue Service has partnered with a technology company, named ID.me, to assist in the identity verification of taxpayers creating an IRS.gov account. Taxpayers who had an IRS.gov account prior to this will be required to create a new account. Existing usernames and passwords will be disabled beginning this coming summer (2022). Please be aware of this change and make plans to create a new account if necessary.

Required Minimum Distributions are Back (RMDs) There is some good news, the age requirements for beginning RMDs has increased from 70 1/2 to 72 years old.

Contributing to an Individual Retirement Account (IRA) The 70 year age limit has been removed. As long as you have qualifying earned income, you can now make additional contributions to IRA accounts.

Deferred Tax Payments We are talking about retirement distributions taken in 2020 and deferred self-employment taxes. If you took out retirement money in 2020, you had the option of taking that as income over three years starting with the year 2020. So 1/3 of the that distribution will be taxable on your 2021 tax return. However, you do have the option of paying it back into your retirement account so as not to be taxed on it.

Secondly - if you deferred payment on your self-employment taxes in 2020, you should have received a letter from the IRS telling you what you will owe from this deferment for the 2021 tax year.

New rules for Inherited IRAs If you inherit an IRA after 2019 then you must take distributions of the entire IRA value within a ten year period. You can take as much or as little as you want in any year, but it all must be taken out within that 10 year period.

Third Round of Stimulus Checks If you didn't receive a third round of stimulus money in 2021, you made still have the opportunity to get stimulus money when we file your tax return. A recovery rebate credit is available to those who should have received the stimulus money.

Child and Dependent Care Credit Major changes to dependent care credit. The child and dependent care credit is fully refundable for the 2021 tax year. The maximum credit percentage also jumps from 35% to 50%. More of your care expenses are available for the credit. The credit is allowed for up to \$8,000 in expenses for one child/disabled person or \$16,000 for two or more. The maximum credit for the 2021 tax year is \$4,000 for one dependent or \$8,000 for two or more dependents.

Unemployment Compensation For the year 2021, all unemployment is taxable.

Student Loan Debt Employers, from the year 2020 through the year 2025, can now pay up to \$5,250 towards their employee's student loan debt and it is a tax free benefit.

Adoption Credit The adoption credit can be taken on up to \$14,440 of qualified adoption expenses in 2021. The full credit is available for a special-needs adoption. The credit phases out for filers with modified AGIs over \$214,520.

2021 - 2022

May God bless and keep you during the holiday season and all through the year.

	2021	2022
Maximum wages subject to social security tax	\$ 142,800.00	\$ 147,000.00
Tax rate for social security - employer	6.20%	6.20%
Tax rate for social security - employee	6.20%	6.20%
Maximum social security withholdings	\$ 8,853.60	\$ 9,114.00
Tax rate for Medicare (up to \$200,000)	1.45%	1.45%
Additional tax rate for Medicare (over \$200,000 individual or \$250,000 married filing joint) ((\$125,000 married filing separately) (to include investment income)	0.90%	0.90%
Self employed tax rate	15.30%	15.30%
Maximum yearly earnings for social security for recipients before benefits are reduced: Under 66	\$ 18,960.00	\$ 19,560.00
Federal unemployment tax rate	0.60%	0.60%
Wage base on which an employer must pay federal and Tennessee unemployment tax	\$ 7,000.00	\$ 7,000.00
Standard mileage rate for charitable use - cents per mile (01/01-12/31)	\$ 0.14	\$ 0.14
Standard mileage rate for business use - cents per mile (01/01-12/31)	\$ 0.56	\$ 0.585
Standard mileage rate for medical use - cents per mile (01/01-12/31)	\$ 0.16	\$ 0.18
Per diem meal and incidentals - truckers 10/1/20 -09/30/22	\$ 66.00	\$ 69.00
Per diem meal and incidentals - others 10/1/20 -09/30/22	\$ 55.00	\$ 59.00
Earned income credit - Maximum 1 child	\$ 3,618.00	\$ 3,733.00
- Maximum 2 children	\$ 5,980.00	\$ 6,164.00
- 3 or more children	\$ 6,728.00	\$ 6,935.00
- Childless worker age 25-64	\$ 1,502.00	\$ 560.00
Federal minimum wage	\$ 7.25	\$ 7.25
Section 179 deduction (permanent)	\$ 1,050,000.00	\$ 1,080,000.00
Standard deduction : Single	\$ 12,550.00	\$ 12,950.00
Married	\$ 25,100.00	\$ 25,900.00
Head of Household	\$ 18,800.00	\$ 19,400.00
Married filing separately	\$ 12,550.00	\$ 12,950.00
Additional deduction for Elderly and Blind: Single	\$ 1,700.00	\$ 1,750.00
Married	\$ 1,350.00	\$ 1,400.00
Child tax credit (Children under 6)	\$ 3,600.00	\$ 2,000.00
Child tax credit (Children 6 to 17)	\$ 3,000.00	\$ 2,000.00
Estate Exemption - Federal	\$ 11,700,000.00	\$ 12,060,000.00
Annual Gift Tax Exemption	\$ 15,000.00	\$ 16,000.00
Allowable retirement contributions - IRA	\$ 6,000.00	\$ 6,000.00
Additional contribution if 50 or older (each)	\$ 1,000.00	\$ 1,000.00
Allowable retirement contributions - Simple IRA	\$ 13,500.00	\$ 14,000.00
Additional contribution if 50 or older (each)	\$ 3,000.00	\$ 3,000.00
Allowable retirement contributions - 401k	\$ 19,500.00	\$ 20,500.00
Additional contribution if 50 or older (each)	\$ 6,500.00	\$ 6,500.00
Dependent care expense limit per child - 1 child	\$ 8,000.00	\$ 3,000.00
- 2 or more	\$ 16,000.00	\$ 6,000.00
Maximum Long-Term:		
Single, Taxable income above \$40,401 and below \$445,850	15.00%	
Single, Taxable income above \$41,675. and below \$459,750		15.00%
Married, Taxable income above 80,800 and below \$501,600	15.00%	
Married, Taxable income above 83,350 and below \$517,200		15.00%
Single, Taxable income above \$445,850	20.00%	
Single, Taxable income above \$459,750		20.00%
Married, Taxable income above \$501,600	20.00%	
Married, Taxable income above \$517,200		20.00%
Maximum Lifetime Learning Credit (\$10,000 collective cap)	\$ 2,000.00	\$ 2,000.00
Maximum Annual American Opportunity Credit	\$ 2,500.00	\$ 2,500.00
Net Investment Income Tax - modified adjusted income over - Singles \$200,000/married filing joint \$250,000/married filing separate \$125,000/head of household \$200,000	3.80%	3.80%
Foreign Income Exclusion	108,700.00	\$ 112,000.00