



TAXES > INCOME TAX

2021 Tax Brackets and Other Tax Changes

The IRS has announced its inflation adjustments for 2021 taxes

By [MICHELLE P. SCOTT](#) Updated December 21, 2021

Reviewed by [SAMANTHA SILBERSTEIN](#)

Fact checked by [SUZANNE KVILHAUG](#)

☰ TABLE OF CONTENTS

[Standard Deduction](#)

[Same Rates but Higher Brackets](#)

[Capital Gains](#)

[EXPAND +](#)

The [Internal Revenue Service](#) (IRS) updates tax rates, allowances, and thresholds every year. These figures are applicable to the tax law provisions that are adjusted annually for [inflation](#). The top tax rate will continue to be 37% for returns filed by individual taxpayers for the 2021 and 2022 tax years but the standard deduction, tax bracket ranges, other deductions, and phase-outs will increase. ^[1] ^[2]



- \$83,350 for married couples filing jointly
- \$41,675 for married couples filing separately
- \$55,800 for the head of a household
- \$41,675 for single filers^[9]

The 15% rate amount applies to adjusted net capital gains for:

- Joint returns of up to \$501,600 for 2021 and \$517,200 for 2022
- Married individuals' separate returns of up to \$250,800 for 2021 and \$258,600 for 2022
- Head of household returns of up to \$473,750 for 2021 and \$488,500 for 2022
- Single individual returns of up to \$445,850 for 2021 and \$459,750 for 2022^[8]^[9]

The applicable capital gains rate is set at 20% for any income amounts above these ceilings.

Individual Tax Credits

Earned Income Credit (EIC)

The maximum amount of the earned income credit (EIC) for low-income taxpayers and the taxable income levels for its thresholds and ceilings are also adjusted for inflation. The maximum credit for three or more children is \$6,728 in 2021 and \$6,935 in 2022. For married couples filing jointly, the phase-out of the credit begins at \$25,470 of adjusted gross income (or earned income, if higher) for 2021 and \$26,260 in 2022. The credit is completed at \$57,414 in 2021 and \$59,187 in 2022.^[10]^[11]

No earned income credit is allowed if the aggregate amount of investment income, such as those from interest, dividends, net capital gains, or other passive activities, exceeds \$10,000 and \$10,300 in 2021 and 2022, respectively.^[10]^[12]

Important: The American Rescue Plan, signed by President Biden on March 11, 2021, includes generous tax breaks to low- and moderate-income people. The size of the earned-income tax credit increased for childless households only for the 2021 tax year to \$1,502. The age range also expanded so people without children can claim the credit as of age 19, instead of 25, with the exception of certain full-time students (students between 19 and 24 with at least half a full-time course load are



Child Tax Credit

President Biden's [American Rescue Plan](#) made changes to the [Child Tax Credit](#) for 2021. It increases to as much as \$3,000 per child (\$3,600 for ages 5 and under). The age limit for qualifying children also rises to 17 (from 16).^[14] The maximum refundable portion of the child credit for each child under age 17 was limited to \$1,400 per child. Now, the credit is fully refundable for that amount in 2021. The amount for 2022 is \$1,500.^{[15][16]}

The IRS may also issue up to half of an eligible household's credit as an advance [disbursement](#) between July and December, using the previous year's tax return to determine eligibility.^[17]

The credit is reduced to \$2,000 per child if your [modified adjusted gross income](#) (MAGI) exceeds a certain limit. The limit for 2021 is:

- \$150,000 for married couples filing jointly
- \$112,500 for heads of household
- \$75,000 for single filers^[18]

President Biden's bill also eliminated the minimum income requirement for the Child Tax Credit. Previously, families earning less than \$2,500 a year were ineligible and credits were calculated based on distance from that minimum at a rate of 15 cents per child for every dollar of income above \$2,500.^[13]

Qualified Adoption Expenses

The credit for qualified adoption expenses, as well as the special credit for the adoption of a child with special needs, amount to \$14,440 for 2021 and \$14,890 for 2022.^{[8][16]} The exclusion from an employee's income for [qualified adoption expenses](#) that are paid or reimbursed under an employer plan will be increased to the same level.^[1]

Lifetime Learning Credit

The maximum \$2,000 per return [lifetime learning credit](#) (LLC) for qualified educational expenses for the taxpayer, spouse, or dependent phases out between MAGI of \$59,000 and



Foreign Earned Income Exclusion

The foreign earned income exclusion is set by the IRS at \$108,700 in 2021.^[19] In 2022, this amount jumps up to \$112,000.^[20]

Alternative Minimum Tax

The AMT applies to alternative minimum taxable income, such as regular taxable income with certain tax benefits added back, in excess of an exemption level.

The exemption levels for 2021 and 2022 are:

- \$114,600 and \$118,100 for joint returns
- \$73,600 and \$75,900 for unmarried individuals
- \$57,300 \$59,050 for married persons' separate returns^[21] ^[22]

These exemption levels phase out between:

- \$1,047,200 and \$1,505,600 in 2021 and \$1,079,800 and \$1,552,200 in 2022 for joint returns
- \$523,600 and \$818,000 in 2021 and \$539,900 and \$843,500 in 2022 for unmarried individuals
- \$523,600 and \$752,800 in 2021 and \$539,900 and \$776,100 in 2022 for married persons' separate returns^[23] ^[22]

The AMT rate is 26% for AMTI up to a maximum AMTI of \$199,900 and \$206,100 for returns of married couples and single individuals for 2021 and 2022 (\$99,500 and \$103,050 for married filing separately). All AMTI in excess of these levels is taxed at 28%.^[23] ^[22]

Increased Allowances: Fringe Benefits, MSAs, and Estates

The monthly limit for qualified transportation and qualified parking fringes is set at \$270 for 2021 and \$280 for 2022.^[4] ^[24]

The maximum salary reduction for contributions to health flexible spending accounts (FSAs) is \$2,750 for 2021 and \$2,850 for 2022. The maximum carryover amount of unused amounts for



The thresholds and ceilings for participants in medical savings accounts (MSAs) are:

- Between \$2,400 and \$3,600 with a maximum out-of-pocket expense of \$4,800 for 2021 for self-coverage
- Between \$4,800 and \$7,150 with a maximum out-of-pocket expense maximum for family coverage of \$8,750 for 2021
- Between \$2,450 and \$3,700 with a maximum out-of-pocket expense of \$4,950 for 2022 for self-coverage
- Between \$4,950 and \$7,400 with a maximum out-of-pocket expense maximum for family coverage of \$9,050 for 2022^[25]^[26]

For a decedent dying in 2021, the exemption level for the estate tax is set at \$11.7 million. That amount increases to \$12.06 million.^[27]^[28] The annual gift tax exclusion is \$15,000 for 2021 and \$16,000 for 2022.^[27]^[1]

Retirement Plans

The IRS also sets limitations on retirement plan contributions as well as phase-out ranges. The income exclusion for employee contributions to employer retirement plans, such as 401(k)s, 403(b)s, 457 plans, and the federal government's Thrift Savings Plan are set at \$19,500 for 2021 and \$20,500 for 2022. The catch-up contribution for employees age 50 and older is \$6,500 for both years. The limitation for SIMPLE retirement accounts is set at \$13,500 for 2021 and \$14,000 for 2022.^[29]

Individual Retirement Accounts (IRAs)

The deductible amount for individual retirement account (IRA) contributions is set at \$6,000 for both 2021 and 2022. People 50 and over can contribute an additional \$1,000 each year.^[30]

The phase-out levels for the deduction, though, are adjusted upwards. If either a taxpayer or their spouse is covered by a workplace retirement plan during the year, the deduction may be reduced or phased out until it is eliminated.

The phaseout ranges for 2021 are:



and heads of households, and between \$105,000 and \$125,000 for joint returns.

- For an IRA contributor who is not an active participant in another plan but whose spouse is an active contributor, the phaseout ranges from \$198,000 to \$208,000.
- For a married active contributor filing a separate return, there is no adjustment and the phaseout range will remain \$0 to \$10,000.^[31]

The phaseout ranges for 2022 are:

- If an individual is an active participant in an employer retirement plan, the deduction phase out for adjusted gross incomes between \$68,000 and \$78,000 for single individuals and heads of households, and between \$109,000 and \$129,000 for joint returns.
- For an IRA contributor who is not an active participant in another plan but whose spouse is an active contributor, the phaseout ranges from \$204,000 to \$214,000.
- For a married active contributor filing a separate return, there is no adjustment and the phaseout range will remain \$0 to \$10,000.^[32]

FAST FACT

IRA phaseouts do not apply if neither a taxpayer nor his or her spouse is covered by a workplace retirement plan.

Roth IRAs

The phaseout for Roth IRA contributions is \$125,000 to \$140,000 for single taxpayers and heads of households and \$198,000 to \$208,000 for joint returns for 2021. The Roth IRA phaseout for a married individual's separate return will continue at \$0 to \$10,000.^[33] The 2022 phaseout ranges are \$129,000 to \$144,000 for single taxpayers and heads of households and \$204,000 to \$214,000 for joint returns for 2022. The Roth IRA phaseout for a married individual's separate return remains at \$0 to \$10,000.^[34]

Saver's Credit

Low-income taxpayers may make contributions to 401(k), 403(b), SIMPLE, SEP, or certain 457 plans, as well as traditional and Roth IRAs, are entitled to claim a non-refundable tax credit in addition to their exclusions or deductions.