



# Sharrard, McGee & Co., PA

Strategy Meets Challenges

## 2021 Reference Guide

### IRS Depreciation Limits for Vehicles Placed in Service in 2021

	<u>Autos (cars)</u>		<u>Light SUVs, pickups/vans*</u>	
	With bonus depreciation	No bonus or used	With bonus depreciation	No bonus or used
1st year	\$ 18,100	\$ 10,100	\$ 18,100	\$ 10,100
2nd year	16,100	16,100	16,100	16,100
3rd year	9,700	9,700	9,700	9,700
4th year & after	5,760	5,760	5,760	5,760

\*6,000 lbs. or less, built on truck chassis, and not specially modified

### Federal per diems

Within the continental US: [www.gsa.gov/portal/content/104877](http://www.gsa.gov/portal/content/104877)

### Record Retention Schedule

General Ledgers	Permanent
Bank statements	7 years
Cancelled checks	7 years
Journals	Permanent
Payroll records	7 years
Time cards	7 years
Employee expense reports	3 years
Tax returns (income/sales)	Permanent
Payroll tax returns	4 years
Employment applications	3 years
Sales commissions reports	3 years

### Benefits Limits

#### Cafeteria Plan Limits and Thresholds

<u>Flexible Spending Accounts (FSAs)</u>	<u>2021</u>	<u>2020</u>
Health FSA Max Election	\$ 2,750	\$ 2,750
Dependent Care FSA Max Election	\$ 5,000	\$ 5,000

<u>Health Savings Accounts (HSAs)</u>	<u>2021</u>	<u>2020</u>
HDHP Min Annual Deductible (Single)	\$ 1,400	\$ 1,400
HDHP Min Annual Deductible (Family)	\$ 2,800	\$ 2,800
HDHP Out of Pocket Max - Single	\$ 7,000	\$ 6,900
HDHP Out of Pocket Max - Family	\$ 14,000	\$ 13,800
HSA Max Contribution Limit - Single	\$ 3,600	\$ 3,550
HSA Max Contribution Limit - Family	\$ 7,200	\$ 7,100
HSA Catch-Up Contribution Limit	\$ 1,000	\$ 1,000

### Transportation Fringe Benefit

Parking	\$270/mo	\$270/mo
Mass Transit	\$270/mo	\$270/mo

### Payroll rates and bases

	<u>2021</u>
Employee SS and Medicare	6.20% 1.45%*
Employer SS and Medicare	6.20% 1.45%
Social Security wage limit	\$142,800
Medicare wage limit*	Unlimited
FUTA-taxable wage base	\$ 7,000
FUTA rate	6.0%
FUTA maximum credit	5.4%
Min. FUTA deposit rate (most firms)	0.6%

\*Withhold added Medicare tax of .9% on wages over \$200,000 - single, \$250,000 - married

NC Unemployment	\$ 26,000
Tax Rate: determined annually; notice will be sent	

Amount of wages/earnings an individual can earn without a reduction in Social Security benefits:

	<u>2021</u>	<u>2020</u>
Below full retirement age	\$ 18,960	\$ 18,240
*Year of full retirement age for entire year	50,520	48,600
Full retirement age and over	Unlimited	Unlimited

\*Applies only to earnings for months prior to attaining full retirement age.

### Standard mileage rates

	<u>2021</u>
Business*	56.0¢/mile
Relocation	16¢/mile
Medical	16¢/mile
Charitable rate	14¢/mile

\*For owned/leased passenger autos, vans, pickups or panel trucks and up to 4 taxis used for hire on which no \$179 or depreciation was taken.

### Qualified retirement plan limits

	<u>2021</u>	<u>2020</u>
Pretax contributions for 401(k) and SEP plans and 403(b) annuities	\$ 19,500	\$ 19,500
Workers aged 50 or over (catch up)	\$ 6,500	\$ 6,500
Sec. 415(b)(1)(A) defined benefit plan annual benefit ceiling	\$ 230,000	\$ 230,000
Combined employer/employee pay-in limits for all defined contribution plans	\$ 58,000	\$ 57,000
Annual compensation limit under Sec. 401(a)(17) and Sec. 404(1)	\$ 290,000	\$ 285,000
Sec. 408(k)(3)(C) IRA, SEP or SIMPLE plan limits	\$ 290,000	\$ 285,000
SIMPLE pretax contribution limit	\$ 13,500	\$ 13,500
Workers aged 50 or over (catch up)	\$ 3,000	\$ 3,000

### IRS Forms and Publications

[www.irs.gov](http://www.irs.gov)

**Fringe Benefits:**

Personal use of company car is considered a taxable fringe benefit. The employee must document total miles and total business miles. Please call our office for further assistance.

**Excess Cost of Group Term Life Insurance:**

The premium cost of group term life insurance benefits in excess of \$50,000 provided to employees is subject to federal income and FICA tax.

**Group Insurance in S Corporation:**

S corporations that pay for group insurance for more than 2% shareholders must include the annual premium cost in the shareholder's W-2. The amount is not subject to FICA, FUTA or SUTA taxes. The employee/shareholder can decide if he/she would like to pay federal or state withholding tax.

**ACA - Form W-2 Reporting:**

The Affordable Care Act requires employers to report the cost of coverage under an employer-sponsored group health plan. The total cost of coverage includes both the portion paid by the employer and the portion paid by the employee. This amount will be reported on W-2 Box 12, with a code of DD. This is for informational purposes only and is not taxable to the employee. For certain employers, types of coverage and situations, there is transition relief from the requirements beginning for the 2015 tax year and will continue to apply to future calendar years until the IRS publishes additional guidance.

**Reporting of Payments to Independent Contractors:**

Beginning December 31, 2020, 1099s for payments of \$600 or more for services (including parts and materials if a reimbursement plan does not exist) must be filed using the new 1099-NEC form. Rents, awards or medical and health care payments will remain on the form 1099-Misc. Payments to corporations, except for legal, medical and health care payments, do not have to be reported. Payments for legal, medical, and health care service over \$600 must be reported no matter the corporate status. All 1099-MISC forms are due to the government and recipient no later than **January 31, 2021**. Effective January 1, 2020, any payer paying \$1,500 or more to an ITIN contractor (an ITIN number is issued to those who are not eligible for a Social Security Number) is required to withhold 4% North Carolina Income Tax from nonwage compensation (1099 income). Call our office for more information.