

Stradley Ronon Stevens & Young, LLP  
2005 Market Street  
Suite 2600  
Philadelphia, PA 19103-7018  
215.564.8000 Telephone  
215.564.8120 Facsimile  
www.stradley.com

With other offices in:  
Washington, D.C.  
New York  
New Jersey  
Illinois  
Delaware



www.meritas.org

Our firm is a member of Meritas. With 189 top-ranking law firms spanning 97 countries, Meritas delivers exceptional legal knowledge, personal attention and proven value to clients worldwide.

Information contained in this publication should not be construed as legal advice or opinion or as a substitute for the advice of counsel. The enclosed materials may have been abridged from other sources. They are provided for educational and informational purposes for the use of clients and others who may be interested in the subject matter.

Copyright © 2020  
Stradley Ronon Stevens & Young, LLP  
All rights reserved.

## IRS Announces 2021 Cost-of-Living Adjustments

The IRS [announced](#) in [Notice 2020-79](#), the 2021 cost-of-living adjustments with respect to retirement plan limits. Many such limits refer to Section 415. Section 415 provides for dollar limitations on benefits and contributions under qualified retirement plans that are required to be adjusted annually for cost-of-living increases. (Section references are to the Internal Revenue Code of 1986, as amended.)

## IRS Announces 2021 Annual Inflation Adjustments

The IRS [announced](#) in [Revenue Procedure 2020-45](#), the 2021 annual inflation adjustments for certain tax provisions, including income tax rate tables, the standard deduction, capital gain tax rate tables, etc. For example, the standard deductions have increased as follows:

Filing Status	2020	2021
Single, Married Filing Separately	\$12,400	\$12,550
Married	\$24,800	\$25,100
Head of Household	\$18,650	\$18,800

Revenue Procedure 2020-45 increased the threshold amount for the qualified business income deduction to \$329,800 for married filing joint returns, \$164,925 for married filing separate returns, and \$164,900 for all other returns. Revenue Procedure 2020-45 also set forth the parameters for the earned income credit, child tax credit, lifetime learning credit, and various other credits, exemption amounts for the alternative minimum tax, certain expense deductions, fringe benefits, and various other tax provisions.

## IRS Releases Form 1040 Draft Instructions with Virtual Currency Clarification

The IRS released the [Form 1040, U.S. Individual Income Tax Return, draft instructions](#). The draft instructions include additional clarification on holding virtual currency and what qualifies as engaging in a transaction involving virtual currency. The instructions provide that a “transaction involving virtual currency does not include the holding of virtual currency in a wallet or account, or the transfer of virtual currency from one wallet or account you own or control to another that you own or control.”

## California Updates FAQs re Employment Taxes

The California Franchise Tax Board has updated its [frequently asked questions \(FAQs\)](#) regarding out of state employers and their employment tax responsibilities for employees temporarily performing services in California during the COVID-19 pandemic. The FAQs state that the wages of employees who typically perform services in another state for an employer located outside of California will not be subject to unemployment insurance tax, employment training tax, and disability insurance withholdings if those employees are temporarily performing services within California due to the COVID-19 pandemic.

For more information, contact **Christopher C. Scarpa** at 215.564.8106 or [cscarpa@stradley.com](mailto:cscarpa@stradley.com) or **Jacquelyn Gordon** at 215.564.8176 or [jgordon@stradley.com](mailto:jgordon@stradley.com).