

5 Tax Alternatives Can be Shown Side-by-Side-Show Impact of Divorce in Current Year

**SUMMARY OF TAX OPTIONS FOR 2010**

Last Name: Jones	Married Joint	2 Divorced in 2010		3 Stay Mar'd - Sep Ret	
		<u>James</u>	<u>Mary</u>	<u>James</u>	<u>Mary</u>
1 Filing Status	Mar Joint	Single	Hd Hsld	Mar Sep	Hd Hsld
2 State (for Income Tax)	FL	FL	FL	FL	FL
3 Exemptions Including Taxpayer	3	1	2	1	2
4 No. Under Age 17 Child Credit	1	0	1	0	1
<b>GROSS INCOME</b>					
5 Salary	109,000	84,000	25,000	84,000	25,000
5a Salary Adjustments	0	0	0	0	0
6 Self-Employment Income	12,000	12,000	0	12,000	0
6a Self-Employment Income Adjustments	0	0	0	0	0
7 Alimony Received	0	0	23,265	0	23,265
8 Long Term Capital Gain	0	0	0	0	0
9 Other Income	3,600	1,200	2,400	1,200	2,400
10 Total Income	124,600	97,200	50,665	97,200	50,665
<b>ADJUSTMENTS TO INCOME</b>					
11 Alimony Paid	0	23,265	0	23,265	0
12 Other Adjustments	848	848	0	848	0
13 Interest Student Loans	0	0	0	0	0
14 Total Adjustments	848	24,113	0	24,113	0
<b>15 Adjusted Gross Income</b>	<b>123,752</b>	<b>73,087</b>	<b>50,665</b>	<b>73,087</b>	<b>50,665</b>
<b>ITEMIZED DEDUCTIONS</b>					
16a State Income Tax	0	0	0	0	0
16b Local Income Tax	0	0	0	0	0
16c State & Local Sales Tax	1,207	755	671	755	671
16d Greater of lines 16a + 16b or line 16c	1,207	755	671	755	671
17 Real Estate Taxes	4,000	0	4,000	0	4,000
18 Mortgage Interest	7,000	0	7,000	0	7,000
19 Other	0	0	0	0	0
20 Total Subject to Reduction	12,207	755	11,671	755	11,671
21 High Income Reduction	0	0	0	0	0

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		James	Mary	James	Mary
22 Other Not Reduced	0	0	0	0	0
23 Total Itemized or	12,207	755	11,671	755	11,671
24 Standard Deduction	11,400	5,700	8,400	5,700	8,400
25 Less Exemptions Allowed including high income reduction	10,950	3,650	7,300	3,650	7,300
26 Total Taxable Income	100,595	63,737	31,694	68,682	31,694
27 Taxable Income Excluding Dividends + LT Capital Gain	98,195	62,537	30,494	67,482	30,494
28 Tax on Regular Income	16,911	11,816	3,977	13,052	3,977
29 Tax on Dividends + LT Cap Gain Inc	360	180	0	180	0
30 Less: Child Care Credit	(600)	0	(600)	0	(600)
31 Education Credits/Other Credits	0	0	0	0	0
32 Tax Before Refundable Credits	16,671	11,996	3,377	13,232	3,377
33 Child Tax Credit - Under Age 17	(300)	0	(1,000)	0	(1,000)
34 Earned Income Credit	0	0	0	0	0
35 Making Work Pay Credit	(800)	(400)	(400)	(400)	(400)
36 Alternative Minimum Tax	0	0	0	0	0
37 Total Federal Tax	15,571	11,596	1,977	12,832	1,977
38 State Tax	0	0	0	0	0
39 Local Tax	0	0	0	0	0
40 Soc Sec/Self-Employment Tax	10,034	8,121	1,913	8,121	1,913
41 Total Taxes	25,605	19,717	3,890	20,953	3,890
42 Total Tax Both Parties	25,605		23,607		24,843
43 Marginal Federal + State Tax %	25.0%	25.0%	15.0%	25.0%	15.0%
44 Avg Tax %: Fed + State + Soc Sec	20.5%	20.3%	7.7%	21.6%	7.7%
45 Value Child Dep Exempt + Child Tax Credit	1,213	0	1,548	0	1,548

NOTES: For high income individuals, this tax calculation reflects a reduction of itemized deductions and personal exemption amounts allowed. The reduction has been eliminated in current year. Refer to Help.

Comments: Tax law has eliminated marriage tax penalty at incomes under \$80,000 for 2010. This means many divorcing individuals can file separate returns while still married and not pay more tax. This case highlights the tax savings if the parties get divorced in 2010 as compared to staying married.

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