

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

SUMMARY OF TAX OPTIONS FOR 2011

Last Name: Jones	Married Joint	2 Divorced in 2011		3 Stay Mar'd, Sep Return	
		<u>James</u>	<u>Mary</u>	<u>James</u>	<u>Mary</u>
	Mar Joint	Single	Hd Hsid	Mar Sep	Hd Hsid
1 Filing Status	FL	FL	FL	FL	FL
2 State (for Income Tax)	3	1	2	1	2
3 Exemptions Including Taxpayer	1	0	1	0	1
4 No. Under Age 17 Child Credit	GROSS INCOME				
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
ADJUSTMENTS TO INCOME					
11 Alimony Paid	0	23,265	0	23,265	0
12 Other Adjustments	745	745	0	745	0
13 Interest Student Loans	0	0	0	0	0
14 Total Adjustments	745	24,010	0	24,010	0
15 Adjusted Gross Income	123,855	73,190	50,665	73,190	50,665
ITEMIZED DEDUCTIONS					
16a State Income Tax	0	0	0	0	0
16b Local Income Tax	0	0	0	0	0
16c State & Local Sales Tax	1,236	739	731	739	731
16d Greater of lines 16a + 16b or line 16c	1,236	739	731	739	731
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	12,236	739	11,731	739	11,731
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	12,236	739	11,731	739	11,731
24 Standard Deduction	11,600	5,800	8,500	5,800	8,500
25 Less Exemptions Allowed including high income reduction	11,100	3,700	7,400	3,700	7,400
26 Total Taxable Income	100,519	63,690	31,534	68,751	31,534
27 Taxable Income Excluding Dividends + LT Capital Gain	98,119	62,490	30,334	67,551	30,334
28 Tax on Regular Income	16,780	11,748	3,943	13,013	3,943
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	16,540	11,928	3,343	13,193	3,343
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	0	0	0	0	0
36 Alternative Minimum Tax	0	0	0	0	0
37 Total Federal Tax	16,240	11,928	2,343	13,193	2,343
38 State Tax	0	0	0	0	0
39 Local Tax	0	0	0	0	0
40 Soc Sec/Self-Employment Tax	7,649	6,236	1,413	6,236	1,413
41 Total Taxes	23,889	18,164	3,756	19,429	3,756
42 Total Tax Both Parties	23,889		21,920		23,185
43 Marginal Federal + State Tax %	25.0%	25.0%	15.0%	25.0%	15.0%
44 Avg Tax %: Fed + State + Soc Sec	19.2%	18.7%	7.4%	20.0%	7.4%
45 Value Child Dep Exempt + Child Tax Credit	1,225	0	1,555	0	1,555

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

Comments: Tax law has eliminated marriage tax penalty at incomes under \$80,000 for 2011. 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 2011 as compared to staying married.

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