

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>John</u>	<u>Martha</u>	<u>John</u>	<u>Martha</u>
1 Filing Status	Mar Joint	Single	Hd Hsld	Mar Sep	Hd Hsld
2 State (for Income Tax)	KY	KY	KY	KY	KY
3 Exemptions Including Taxpayer	4	3	1	3	1
4 No. Under Age 17 Child Credit	2	2	0	2	0
GROSS INCOME					
5 Salary	105,000	70,000	35,000	70,000	35,000
5a Salary Adjustments	0	0	0	0	0
6 Self-Employment Income	5,000	5,000	0	5,000	0
6a Self-Employment Income Adjustments	0	0	0	0	0
7 Alimony Received	0	0	4,903	0	4,903
8 Long Term Capital Gain	0	0	0	0	0
9 Other Income	3,000	1,000	2,000	1,000	2,000
10 Total Income	113,000	76,000	41,903	76,000	41,903
ADJUSTMENTS TO INCOME					
11 Alimony Paid	0	4,903	0	4,903	0
12 Other Adjustments	310	310	0	310	0
13 Interest Student Loans	0	0	0	0	0
14 Total Adjustments	310	5,213	0	5,213	0
15 Adjusted Gross Income	112,690	70,787	41,903	70,787	41,903
ITEMIZED DEDUCTIONS					
16a State Income Tax	5,419	3,732	1,417	3,732	1,417
16b Local Income Tax	2,476	1,688	788	1,688	788
16c State & Local Sales Tax	1,044	827	519	827	519
16d Greater of lines 16a + 16b or line 16c	7,895	5,420	2,205	5,420	2,205
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	18,895	5,420	13,205	5,420	13,205
21 High Income Reduction	0	0	0	0	0

March 24, 2011 12:42 PM

© 2011 Thomson Reuters. All rights reserved.

Page 1 of 2

SUMMARY OF TAX OPTIONS FOR 2011

Last Name: Jones	Married Joint	2 Divorced in 2011		3 Stay Mar'd, Sep Return	
		John	Martha	John	Martha
22 Other Not Reduced	0	0	0	0	0
23 Total Itemized or	18,895	5,420	13,205	5,420	13,205
24 Standard Deduction	11,600	5,800	8,500	5,800	8,500
25 Less Exemptions Allowed including high income reduction	14,800	11,100	3,700	11,100	3,700
26 Total Taxable Income	78,995	53,887	24,998	54,267	24,998
27 Taxable Income Excluding Dividends + LT Capital Gain	75,995	52,887	22,998	53,267	22,998
28 Tax on Regular Income	11,249	9,347	2,842	9,442	2,842
29 Tax on Dividends + LT Cap Gain Inc	450	150	0	150	0
30 Less: Child Care Credit	(600)	0	(630)	0	(630)
31 Education Credits/Other Credits	0	0	0	0	0
32 Tax Before Refundable Credits	11,099	9,497	2,212	9,592	2,212
33 Child Tax Credit - Under Age 17	(1,850)	(2,000)	0	(1,200)	0
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	9,249	7,497	2,212	8,392	2,212
38 State Tax	5,419	3,732	1,417	3,732	1,417
39 Local Tax	2,476	1,688	788	1,688	788
40 Soc Sec/Self-Employment Tax	6,553	4,575	1,978	4,575	1,978
41 Total Taxes	23,697	17,492	6,395	18,387	6,395
42 Total Tax Both Parties	23,697		23,887		24,782
43 Marginal Federal + State Tax %	29.5%	30.8%	19.9%	29.4%	19.9%
44 Avg Tax %: Fed + State + Soc Sec	21.0%	23.0%	15.3%	24.2%	15.3%
45 Value Child Dep Exempt + Child Tax Credit	3,730	3,890	0	3,080	0

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: The tax law has eliminated marriage tax penalty at incomes under \$80,000 in 2011. This will allow more divorcing individuals to file separate returns while still married and save over a Married, Joint return. In this case, there is a tax savings if the individuals stay married and file joint returns in 2011.

March 24, 2011 12:42 PM

© 2011 Thomson Reuters. All rights reserved.

Page 2 of 2