

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

SUMMARY OF TAX OPTIONS FOR 2011

Last Name: Doe	Married Joint	2 Divorced in 2011		3 Stay Mar'd, Sep Return	
		<u>John</u>	<u>Mary</u>	<u>John</u>	<u>Mary</u>
	Mar Joint	Single	Hd Hsld	Mar Sep	Hd Hsld
	MD	MD	MD	MD	MD
1 Filing Status					
2 State (for Income Tax)	MD	MD	MD	MD	MD
3 Exemptions Including Taxpayer	4	1	3	1	3
4 No. Under Age 17 Child Credit	2	0	2	0	2
GROSS INCOME					
5 Salary	102,000	72,000	30,000	72,000	30,000
5a Salary Adjustments	0	0	0	0	0
6 Self-Employment Income	10,000	10,000	0	10,000	0
6a Self-Employment Income Adjustments	0	0	0	0	0
7 Alimony Received	0	0	3,485	0	3,485
8 Long Term Capital Gain	0	0	0	0	0
9 Other Income	4,000	1,000	3,000	1,000	3,000
10 Total Income	116,000	83,000	36,485	83,000	36,485
ADJUSTMENTS TO INCOME					
11 Alimony Paid	0	3,485	0	3,485	0
12 Other Adjustments	621	621	0	621	0
13 Interest Student Loans	0	0	0	0	0
14 Total Adjustments	621	4,106	0	4,106	0
15 Adjusted Gross Income	115,379	78,894	36,485	78,894	36,485
ITEMIZED DEDUCTIONS					
16a State Income Tax	4,298	3,495	421	3,495	421
16b Local Income Tax	2,535	2,114	421	2,114	421
16c State & Local Sales Tax	989	633	552	633	552
16d Greater of lines 16a + 16b or line 16c	6,833	5,609	842	5,609	842
17 Real Estate Taxes	3,000	0	3,000	0	3,000
18 Mortgage Interest	6,000	0	6,000	0	6,000
19 Other	0	0	0	0	0
20 Total Subject to Reduction	15,833	5,609	9,842	5,609	9,842
21 High Income Reduction	0	0	0	0	0

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		John	Mary	John	Mary
22 Other Not Reduced	0	0	0	0	0
23 Total Itemized or	15,833	5,609	9,842	5,609	9,842
24 Standard Deduction	11,600	5,800	8,500	5,800	8,500
25 Less Exemptions Allowed including high income reduction	14,800	3,700	11,100	3,700	11,100
26 Total Taxable Income	84,746	69,394	15,543	69,585	15,543
27 Taxable Income Excluding Dividends + LT Capital Gain	82,746	68,394	14,543	68,585	14,543
28 Tax on Regular Income	12,937	13,224	1,574	13,271	1,574
29 Tax on Dividends + LT Cap Gain Inc	300	150	0	150	0
30 Less: Child Care Credit	(600)	0	(720)	0	(720)
31 Education Credits/Other Credits	0	0	0	0	0
32 Tax Before Refundable Credits	12,637	13,374	854	13,421	854
33 Child Tax Credit - Under Age 17	(1,700)	0	(2,000)	0	(2,000)
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	10,937	13,374	(1,146)	13,421	(1,146)
38 State Tax	4,298	3,495	421	3,495	421
39 Local Tax	2,535	2,114	421	2,114	421
40 Soc Sec/Self-Employment Tax	7,005	5,310	1,695	5,310	1,695
41 Total Taxes	24,775	24,293	1,391	24,340	1,391
42 Total Tax Both Parties	24,775		25,684		25,731
43 Marginal Federal + State Tax %	30.7%	32.6%	21.4%	30.7%	21.4%
44 Avg Tax %: Fed + State + Soc Sec	21.4%	29.3%	3.8%	29.3%	3.8%
45 Value Child Dep Exempt + Child Tax Credit	3,914	0	3,522	0	3,522

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 rates in MD for Single and Married, Separate are the same. 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 not a great difference in taxes under the 3 scenarios.

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