

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

SUMMARY OF TAX OPTIONS FOR 2011

Last Name: Smith / Doe	Married Joint	2 Divorced in 2011		3 Stay Mar, Sep Return	
		<u>John</u>	<u>Martha</u>	<u>John</u>	<u>Martha</u>
1 Filing Status	Mar Joint	Single	Hd Hsid	Mar Sep	Hd Hsid
2 State (for Income Tax)	MN	MN	MN	MN	MN
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	130,000	100,000	30,000	100,000	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	6,612	0	6,612
8 Long Term Capital Gain	0	0	0	0	0
9 Other Income	6,000	3,000	3,000	3,000	3,000
10 Total Income	146,000	113,000	39,612	113,000	39,612
ADJUSTMENTS TO INCOME					
11 Alimony Paid	0	6,612	0	6,612	0
12 Other Adjustments	489	489	0	489	0
13 Interest Student Loans	0	0	0	0	0
14 Total Adjustments	489	7,101	0	7,101	0
15 Adjusted Gross Income	145,511	105,899	39,612	105,899	39,612
ITEMIZED DEDUCTIONS					
16a State Income Tax	7,823	6,568	910	6,743	910
16b Local Income Tax	0	0	0	0	0
16c State & Local Sales Tax	1,386	889	618	889	618
16d Greater of lines 16a + 16b or line 16c	7,823	6,568	910	6,743	910
17 Real Estate Taxes	5,500	0	5,500	0	5,500
18 Mortgage Interest	6,000	0	6,000	0	6,000
19 Other	0	0	0	0	0
20 Total Subject to Reduction	19,323	6,568	12,410	6,743	12,410
21 High Income Reduction	0	0	0	0	0

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		John	Martha	John	Martha
22 Other Not Reduced	0	0	0	0	0
23 Total Itemized or	19,323	6,568	12,410	6,743	12,410
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	111,388	95,631	16,102	95,456	16,102
27 Taxable Income Excluding Dividends + LT Capital Gain	111,388	95,631	16,102	95,456	16,102
28 Tax on Regular Income	20,097	20,394	1,808	20,762	1,808
29 Tax on Dividends + LT Cap Gain Inc	0	0	0	0	0
30 Less: Child Care Credit	(600)	0	(660)	0	(660)
31 Education Credits/Other Credits	0	0	0	0	0
32 Tax Before Refundable Credits	19,497	20,394	1,148	20,762	1,148
33 Child Tax Credit - Under Age 17	(200)	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	19,297	20,394	(852)	20,762	(852)
38 State Tax	7,823	6,568	910	6,743	910
39 Local Tax	0	0	0	0	0
40 Soc Sec/Self-Employment Tax	8,323	6,628	1,695	6,628	1,695
41 Total Taxes	35,443	33,590	1,753	34,133	1,753
42 Total Tax Both Parties	35,443		35,343		35,886
43 Marginal Federal + State Tax %	30.3%	33.7%	19.6%	33.7%	19.6%
44 Avg Tax %: Fed + State + Soc Sec	24.3%	29.7%	4.4%	30.2%	4.4%
45 Value Child Dep Exempt + Child Tax Credit	2,442	0	3,447	0	3,447

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 penalty at incomes under \$80,000 for 2011. This will allow more divorcing individuals to file separate returns while still married and not pay more tax. In this case, the tax differences under different filing options for 2011 are readily apparent.

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