

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 Hsld	Mar Sep	Hd Hsld
	NY City	NY City	NY City	NY City	NY City
1 Filing Status					
2 State (for Income Tax)	NY City	NY City	NY City	NY City	NY City
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	140,000	110,000	30,000	110,000	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	7,800	0	7,800
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	154,000	121,000	40,800	121,000	40,800
ADJUSTMENTS TO INCOME					
11 Alimony Paid	0	7,800	0	7,800	0
12 Other Adjustments	136	136	0	136	0
13 Interest Student Loans	0	0	0	0	0
14 Total Adjustments	136	7,936	0	7,936	0
15 Adjusted Gross Income	153,864	113,064	40,800	113,064	40,800
ITEMIZED DEDUCTIONS					
16a State Income Tax	9,289	6,976	42	6,976	42
16b Local Income Tax	4,799	3,751	893	3,751	893
16c State & Local Sales Tax	854	551	438	551	438
16d Greater of lines 16a + 16b or line 16c	14,088	10,727	935	10,727	935
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	25,088	10,727	11,935	10,727	11,935
21 High Income Reduction	0	0	0	0	0

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Last Name: Jones	Married Joint	2 Divorced in 2011		3 Stay Mar'd, Sep Return	
		James	Mary	James	Mary
22 Other Not Reduced	0	0	0	0	0
23 Total Itemized or	25,088	10,727	11,935	10,727	11,935
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	113,976	98,637	17,765	98,637	17,765
27 Taxable Income Excluding Dividends + LT Capital Gain	111,976	97,637	16,765	97,637	16,765
28 Tax on Regular Income	20,244	20,955	1,907	21,373	1,907
29 Tax on Dividends + LT Cap Gain Inc	300	150	0	150	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	19,944	21,105	1,247	21,523	1,247
33 Child Tax Credit - Under Age 17	0	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	819	0
37 Total Federal Tax	19,944	21,105	(753)	22,342	(753)
38 State Tax	9,289	6,976	42	6,976	42
39 Local Tax	4,799	3,751	893	3,751	893
40 Soc Sec/Self-Employment Tax	8,047	6,352	1,695	6,352	1,695
41 Total Taxes	42,079	38,184	1,877	39,421	1,877
42 Total Tax Both Parties	42,079		40,061		41,298
43 Marginal Federal + State Tax %	32.9%	35.6%	23.0%	35.6%	23.0%
44 Avg Tax %: Fed + State + Soc Sec	27.3%	31.6%	4.6%	32.6%	4.6%
45 Value Child Dep Exempt + Child Tax Credit	2,008	0	3,832	0	3,832

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 there are significant tax savings with separate returns even if still married in 2011.

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