

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	Married Joint	Divorced in 2011		Stay Mar'd Sep Returns	
		<u>John</u>	<u>Mary</u>	<u>John</u>	<u>Mary</u>
1 Filing Status	Mar Joint	Single	Hd Hsid	Mar Sep	Hd Hsid
2 State (for Income Tax)	Other	Other	Other	Other	Other
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	115,000	85,000	30,000	85,000	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	22,000	0	22,000
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	129,000	96,000	55,000	96,000	55,000
ADJUSTMENTS TO INCOME					
11 Alimony Paid	0	22,000	0	22,000	0
12 Other Adjustments	621	621	0	621	0
13 Interest Student Loans	0	0	0	0	0
14 Total Adjustments	621	22,621	0	22,621	0
15 Adjusted Gross Income	128,379	73,379	55,000	73,379	55,000
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	0	0	0	0	0
16d Greater of lines 16a + 16b or line 16c	0	0	0	0	0
17 Real Estate Taxes	5,000	0	5,000	0	5,000
18 Mortgage Interest	6,000	0	6,000	0	6,000
19 Other	0	0	0	0	0
20 Total Subject to Reduction	11,000	0	11,000	0	11,000
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	11,000	0	11,000	0	11,000
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	101,979	56,479	40,300	62,279	40,300
27 Taxable Income Excluding Dividends + LT Capital Gain	97,979	55,479	37,300	61,279	37,300
28 Tax on Regular Income	16,745	9,995	4,988	11,445	4,988
29 Tax on Dividends + LT Cap Gain Inc	600	150	0	150	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	16,745	10,145	4,388	11,595	4,388
33 Child Tax Credit - Under Age 17	(1,050)	(2,000)	0	(1,050)	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	15,695	8,145	4,388	10,545	4,388
38 State Tax	0	0	0	0	0
39 Local Tax	0	0	0	0	0
40 Soc Sec/Self-Employment Tax	7,740	6,045	1,695	6,045	1,695
41 Total Taxes	23,435	14,190	6,083	16,590	6,083
42 Total Tax Both Parties	23,435		20,273		22,673
43 Marginal Federal + State Tax %	25.0%	25.0%	15.0%	25.0%	15.0%
44 Avg Tax %: Fed + State + Soc Sec	18.2%	14.8%	11.1%	17.3%	11.1%
45 Value Child Dep Exempt + Child Tax Credit	2,900	3,850	0	2,900	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: Tax rates for Single and Married, Separate are generally 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 are tax savings from filing separate returns even if parties stay married in 2011 (case 3).

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