

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

SUMMARY OF TAX OPTIONS FOR 2011

Last Name: Wealthy	Married Joint	2 All Tax Free			3 Negotiated Settlement	
		<u>James</u>	<u>Martha</u>		<u>James</u>	<u>Martha</u>
1 Filing Status	Mar Joint	Mar Sep	Hd Hsid	Mar Sep	Hd Hsid	
2 State (for Income Tax)	PA	PA	PA	PA	PA	
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	500,000	500,000	0	500,000	0	
5a Salary Adjustments	0	0	0	0	0	
6 Self-Employment Income	0	0	0	0	0	
6a Self-Employment Income Adjustments	0	0	0	0	0	
7 Alimony Received	0	0	0	0	108,000	
8 Long Term Capital Gain	0	0	0	0	0	
9 Other Income	20,000	10,000	10,000	10,000	10,000	
10 Total Income	520,000	510,000	10,000	510,000	118,000	
ADJUSTMENTS TO INCOME						
11 Alimony Paid	0	0	0	108,000	0	
12 Other Adjustments	0	0	0	0	0	
13 Interest Student Loans	0	0	0	0	0	
14 Total Adjustments	0	0	0	108,000	0	
15 Adjusted Gross Income	520,000	510,000	10,000	402,000	118,000	
ITEMIZED DEDUCTIONS						
16a State Income Tax	15,964	15,657	307	15,657	307	
16b Local Income Tax	5,000	5,000	0	5,000	0	
16c State & Local Sales Tax	1,642	1,270	279	1,270	927	
16d Greater of lines 16a + 16b or line 16c	20,964	20,657	307	20,657	927	
17 Real Estate Taxes	10,000	10,000	0	10,000	0	
18 Mortgage Interest	20,000	20,000	0	20,000	0	
19 Other	0	0	0	0	620	
20 Total Subject to Reduction	50,964	50,657	307	50,657	927	
21 High Income Reduction	0	0	0	0	0	

March 25, 2011 09:28 AM

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		James	Martha	James	Martha
22 Other Not Reduced	0	0	0	0	0
23 Total Itemized or	50,964	50,657	307	50,657	927
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	454,236	455,643	0	347,643	98,400
27 Taxable Income Excluding Dividends + LT Capital Gain	454,236	455,643	0	347,643	98,400
28 Tax on Regular Income	128,854	144,411	0	106,611	19,368
29 Tax on Dividends + LT Cap Gain Inc	0	0	0	0	0
30 Less: Child Care Credit	0	0	0	0	0
31 Education Credits/Other Credits	0	0	0	0	0
32 Tax Before Refundable Credits	128,854	144,411	0	106,611	19,368
33 Child Tax Credit - Under Age 17	0	0	0	0	0
34 Earned Income Credit	0	0	0	0	0
35 Making Work Pay Credit	0	0	0	0	0
36 Alternative Minimum Tax	7,646	1,182	0	8,742	0
37 Total Federal Tax	136,500	145,593	0	115,353	19,368
38 State Tax	15,964	15,657	307	15,657	307
39 Local Tax	5,000	5,000	0	5,000	0
40 Soc Sec/Self-Employment Tax	11,736	11,736	0	11,736	0
41 Total Taxes	169,200	177,986	307	147,746	19,675
42 Total Tax Both Parties	169,200		178,293		167,421
43 Marginal Federal + State Tax %	37.0%	37.0%	13.1%	37.0%	28.1%
44 Avg Tax %: Fed + State + Soc Sec	32.5%	34.9%	3.1%	29.0%	16.7%
45 Value Child Dep Exempt + Child Tax Credit	2,590	0	0	0	1,850

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: Parties will file separate returns - Savings over Married Joint. Case 3 is Settlement Position with mix of child support and taxable spousal support. If all support were taxable, Alternate Minimum Tax would erode tax savings of alimony and support mix is optimal tax case.

March 25, 2011 09:28 AM

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