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choice of your tax filing status. Usually, it's a no-brainer for a married couple to file a joint return, but there are a few notable exceptions. When you dig a ...

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A photograph of a 2013 U.S. Individual Income Tax Return form (Form 1040) from the Department of the Treasury—Internal Revenue Service. Two gold wedding rings are placed on the form, partially obscuring the 'Filing Status' section. The form includes fields for the taxpayer's name, address, and filing status. The 'Filing Status' section has three options: 1 Single, 2 Married filing jointly (even if only one had income), and 3 Married filing separately. The 'Exemptions' section is also visible at the bottom.

Sometimes the “easiest” tax return decisions aren’t so simple after all. Take the basic choice of your tax filing status. Usually, it’s a no-brainer for a married couple to file a joint return, but there are a few notable exceptions. When you dig a little deeper, you may find that filing separate returns as marrieds is a better approach.

For newlyweds, including numerous partners in same-sex marriages, this is the first year this election is available.

Background: Typically, when a couple combines their income and deductions, they

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overall tax results if one spouse has a disproportionate share of deductions subject to one of the tax law's floors, such as medical or miscellaneous expenses. Let's look at a hypothetical example.

Facts: Adam and Eve are married and each one is age 65. Adam still works full-time and has an adjusted gross income (AGI) of \$150,000 a year while Eve is a part-timer with an AGI of \$10,000. In 2014, Adam had only \$1,000 in deductible medical expenses. However, Eve had expensive surgeries and paid out-of-pocket medical expenses of \$9,000.

If the couple files a joint return, they get no medical expense deduction. Their total of \$10,000 in expenses doesn't exceed 7.5 percent of their combined AGI of \$160,000. (The AGI floor is 10 percent for younger filers.) However, if they file separate returns, Eve would be entitled to a medical expense deduction of \$8,250 (the excess over 7.5 percent of her AGI of \$10,000).

Another reason why a couple might file separate returns is a concern that one spouse isn't being honest. Both spouses are jointly and severally liable on a joint return that they sign. Although "innocent spouse" relief may be granted if certain requirements are met, this is often difficult to prove. It may be advantageous to file separately if it appears that the marriage is on the rocks.

But that's not the end of the story. Choosing the married filing separately status has some potential drawbacks. For instance:

- The way the tax brackets are structured can still work against you. This is especially problematic for upper-income taxpayers.
- Despite the example above, you could forfeit tax benefits overall by divvying up deductions and credits. Furthermore, certain credits – such as the Earned Income

Tax Credit (EITC), adoption credit or dependent care credit – aren't available to

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Conclusion: The optimal approach is to figure things out both ways, including a complete analysis on both federal and state taxes, before making the choice on Form 1040. Clients who end up saving tax on 2014 returns will appreciate the extra work.

Income Tax • IRS

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