

Tax Time

MARRIAGE

SENSE



"Utah State University is an affirmative action/equal opportunity institution."

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Tax Time for Couples

Tax time can tax even the strongest of marriage relationships, but newlyweds John and Cecilia Cox, who took vows last September, will be feeling particularly in love as April 15 approaches. Over the past seven months, the couple made some excellent decision that will possibly help them avoid the kind of financial conflicts that often lead to nasty fights between couples. What did they do? They combined their checking and investment accounts, made each other beneficiaries of their respective 401(k)s and other retirement plans, and took the time to update their life insurance policies. John, who is now on his wife's medical plan, saves a

few hundred dollars a month. Even better, filing a joint tax return this year gave them a 15 percent higher refund.



SPECIAL POINTS OF INTEREST:

TO FIGURE TAXES, YOU NEED RECORDS THAT SHOW WHAT YOU EARNED AND WHAT YOU SPENT.

ALMOST HALF OF ALL TAXPAYERS USE A PROFESSIONAL TAX PREPARER, AND MOST OF THE OTHERS USE TAX GUIDES, COMPUTER PROGRAMS OR HELPFUL FRIENDS AND RELATIVES.

Financial issues are one of the leading causes of marital conflict. Working together on taxes can help you strengthen your marriage and overcome difficult financial situations. What may seem like the end of the road may actually be the beginning of financial stability and a renewed relationship.



How to File?

Talk about a party crasher: Uncle Sam is sure to be an uninvited guest at your wedding. You can count on your tax situation being high on the list of the many things in your life that change when you tie the knot.

The marriage penalty. You've undoubtedly heard about the marriage-tax penalty, the quirk in the tax law that makes a married couple pay more income tax than they would have to if they remained single. Here's a little secret: Most married couples get a marriage bonus: paying less income tax than they would if each partner were single.

Choose the Best Filing Status

According to the IRS, a person's marital status on December 31 determines whether the person is considered married for that year. The tax law allows married couples to choose to file their federal income tax return either jointly or separately in any given year. Choosing the right filing status can help save money.

- A joint return (Married Filing Jointly) allows spouses to combine their income and to deduct combined deductions and expenses on a single tax return. Both spouses must sign the return and both are held responsible for the contents.



- With separate returns (Married Filing Separately), each spouse signs, files and is responsible for his or her own tax return. Each is taxed on his or her own income, and can take only his or her individual deductions and credits. If one spouse itemizes deductions, the other must also.

TIP: Figuring the tax both ways can determine which filing status will result in the lowest tax. It usually will be filing jointly. More detailed information on filing status can be found on the IRS website at www.irs.gov, or by calling 800-TAX-FORM (800-829-3676): Search for Publication 501: Exceptions, Standard Deduction and Filing Information.



What will you do with your tax return?

Married filing jointly often results in tax savings for married couples.

The question always comes up, "I'm married. Should my wife and I file as a joint tax return, or should we file married filing separately?" Those are the only choices you have. If you're married, you're married. The tax law says if you got married on January 1st, or December 31st, you're married all year. You can elect to file married filing separately, it depends on the state that you live in. If you're in a community property state you're not going to find any difference between married tax filing separately, or filing tax jointly. If you're in a non-community property state you might find some differences. In most cases, filing a joint tax return is more beneficial than filing separately.

Communicating on taxes and financial issues strengthens relationships!



What are itemized deductions?

This method of determining your allowable deductions is itemizing them on your tax return. This method certainly requires more work, but it could save you money. These deductions must be listed separately and documented carefully. There are a number of common itemized deductions that you should be aware of.

- Medical and dental expenses
- State, local, and some foreign taxes
- Interest expenses
- Charitable donations
- Casualty and theft loss
- Job expenses and most other miscellaneous expenses

It may not be high on the list of wedding planning activities, but there are a few, simple steps that can help keep tax issues from interrupting newly-wedded bliss, according to the Internal Revenue Service.

When your wedding plans are in full swing, the IRS advises the soon-to-be married and the just married to review their changing tax status. Choosing the right tax form and filing status can help save money and even prevent problems with missing a refund check.

Among those tax-related changes that newlyweds should think about now are notification of change of name and change of address. Later, as filing season approaches, they should consider itemizing their deductions, selecting the right tax return form to use and choosing their filing status.

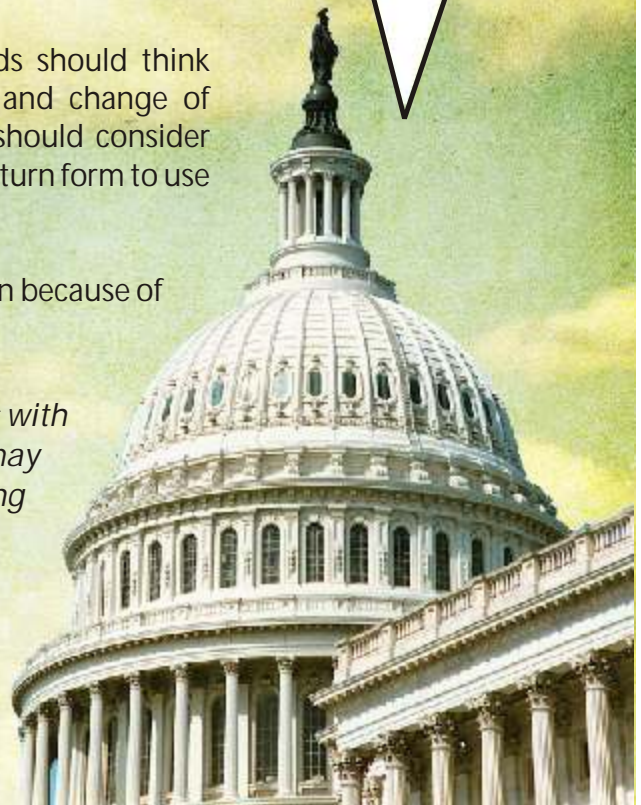
No one should delay the cake cutting or honeymoon because of taxes. But here are some helpful hints for later:

1. Make sure that you know what your spouse is with holding on the W-4. When getting married, it may require that you file a new W-4 form to avoid paying additional taxes for the coming year.

2. Decide who will be keeping track of both your income tax records.

3. Making a decision on how you will track your income, possible deductions and etc.

**Before the
Wedding
Washington
Says:**





MARRIAGE

SURVIVAL



Getting a Refund?

When getting a tax refund, it's important to talk to your spouse about how you will use it. Maybe she wants to spend it to pay for a romantic get-a-way, while he wants to put it all away in savings. Clearly, this is a topic that needs discussion. Plan a time to sit down and discuss how you would like to use the refund. Each of you takes a turn speaking openly about how and why you would like to spend the money. Be willing to receptively listen to what your partner has to say about their needs, remembering to stay non-judgmental. Consider dividing the money up and compromising to partially meet both needs.

Here are a few suggestions to make the most of your tax refund:

Pay off your credit card. Getting out of debt will provide a huge emotional lift, not to mention the interest you'll save.

Save for an emergency. Most financial experts recommend that every American have an emergency fund that you could tap into for unexpected bills or loss of employment.

Take care of special needs. If you have put off going to the dentist, new tires, or maintenance around the house, your tax refund can be put to good use paying for these occasional expenses.

Reference: National Endowment for Financial Education

In a marriage, there is no "my money" and "your money" or "my debts" and "your debts." There is only our money and our debts.



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