

Best Filing Status in 2013

Best filing status report for George J Jones and Marianne P Jones.

If the parties are still married at the end of the year, the best filing status for 2013 is Married Filing Jointly.

With this filing status, the parties can save \$7,461 over the worst (Married Filing Separately) filing status and \$6,763 over the Separate / Head of Household filing status.

Analysis:

The chart below gives more detail:

| | Federal Taxes Based On Filing Status | | | |
|-------------------------|--------------------------------------|------------|----------|-----------------------------------|
| | (a) | (b) | (c) | (d) |
| | George's | Marianne's | Combined | Savings |
| | Federal | Federal | Fed Tax | compared with |
| | Tax | Tax | (a)+(b) | worst (Married Filing Separately) |
| Joint filing | -- | -- | \$29,162 | \$7,461 |
| Separate (Both Itemize) | \$32,788 | \$3,835 | \$36,623 | none |
| H: Separate / W: H of H | \$32,788 | \$3,137 | \$35,925 | \$698 |

Explanation:

We begin by identifying the three basic filing status groups: joint, separate, and married filing separately/head of household.

We want to compare the combined (George+Marianne) tax using each group, and see which group minimizes the combined tax.

If the parties both file separately, they must both itemize, or both claim the standard deduction. So first we compare the combined tax using these alternatives. Itemizing was better. (Combined tax using standard would be \$56,090.)

Next we see whether each party may claim the tax-favored "Head of Household" filing status.

The parties separated before July 1, 2013. This means that they may be eligible to file as head of household even if they are not divorced by December 31, 2013. (Note that the software will reach this conclusion if the "Separation Date" has not been entered.)

We used the "Married Filing Separate" filing status for George. This is because George does not have custody of a child, and thus likely will not be eligible for "Head of Household" filing status.

We used the more advantageous "Head of Household" filing status for Marianne. This is because Marianne has custody of at least one child, and likely will be eligible for Head of Household filing status. (For comparison purposes, Marianne's Federal Income Tax using the "Married Filing Separately" filing status is \$3,835.)

Then, using those filing statuses, we calculated each party's tax. We then totaled the parties' tax numbers, and compared, to create the table above.