

DIVORCE & TAXES

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Many issues need to be addressed whenever two people decide to get divorced. One major issue is income taxes.

Some of the more common questions are:

- Do we file jointly or separate?
- Do we have to allocate the income and if so how?
- Do we have to allocate the expenses and if so how?
- My spouse is self-employed. Who pays the self-employment taxes?
- Who gets credit for the estimated tax payments?
- We have one child. Who gets the deduction?
- We have more than one child. Can we split the deduction?
- I paid a lot of attorney and accounting fees. Can I deduct them?

Divorce Court's Orders do not control tax consequences.

The following is a list of some of the issues that a CDFA® can bring to the table that attorneys and the participants in a divorce often overlook. This list is not all-inclusive.

- Discounting Epstein credits for the tax benefits.
- Weighing the risks of filing a joint return.
- Considering the child support trap of IRC § 71.
- Not fighting over the dependency exemption when the client can't use it.
- Considering if both can be head of household.
- Not assuming that the capital-gains tax is based on the client's share of the proceeds.
- Evaluating whether attorney's fees can be deductible or capitalized.
- Not considering the tax traps in dividing stock options.

As you can see there can be significant tax implications when the parties divorce. Prior to making any decision make sure you are fully informed about any tax issues that might arise during your divorce.