

Which Filing Status Makes Sense for Me

While choosing a tax filing status may seem straightforward, the decision to file as single, married, married filing separately, or head of a household can become surprisingly difficult, especially when taxpayers find themselves on the brink of divorce, embroiled in financial or legal troubles, or simply in a complex or atypical financial situation. Your tax status can also change abruptly if, for example, you get married, have a child, or take on primary responsibility for an elderly parent.

Single filing status applies to all taxpayers who have never been married and who have no children or other dependents. You can also claim single status if you are legally separated or divorced at the end of the year, provided you have not remarried. If you have dependents, but you have not been their primary caregiver for more than half the year, you must also file as a single taxpayer. Generally, if you are unmarried and fail to meet the criteria for another filing status, you are required by the IRS to file as single.

The married filing jointly status is selected by most married couples. All couples who are married on the last day of the tax year qualify. This status allows you and your spouse to report your combined income and deduct your combined allowable expenses on a single return. Most married couples find that their tax liability is lowest when they file jointly, especially when one spouse earns more than the other. However, both spouses must sign the tax return, and both must accept full

responsibility for the accuracy and completeness of the information reported on the return. If you have reason to believe your spouse is evading taxes, you may wish to consider filing separately.

Married filing separately is generally considered the least attractive of the tax statuses, largely because taxpayers claiming this status are not eligible for many tax breaks, including student loan deductions and the child and dependent care credit. When married couples file separately, both must claim the standard deduction, or both must itemize. While married filing separately is used infrequently, choosing this status can make sense in some situations, such as when you and your spouse both have high incomes, or wish to claim itemized deductions for which you would not otherwise qualify, such as the medical expenses deduction. In addition to concerns about outright fraud or evasion, some married couples may, for example, choose to file separately because one of the spouses is self-employed, and any irregularities in income reporting could cause problems for the other spouse. If you are uncertain about which status makes the most sense for your family, you may wish to calculate the tax using both statuses to find out which results in the lowest overall tax liability.

Head of household filing status is most frequently claimed by single parents who have primary custody of their children. The tax rates for this status are lower than for single taxpayers or for married taxpayers filing

separately. To qualify, you must be unmarried or “considered unmarried,” have paid for more than half of the cost of keeping up a home for the year, and have shared your home for more than half of the year with your qualifying dependents. However, you may also be able to file as head of household if you pay for more than half the care of an elderly parent, even if the parent does not live with you. You can be “considered unmarried” if you have lived apart from your spouse for at least six months.

Special rules may apply if you are recently widowed and have children. The qualifying widow/widower with dependent child filing status may apply for the year in which your spouse died, and for two years thereafter, provided you have not remarried. This status allows you to use joint return tax rates and the highest standard deduction. To be eligible to claim this status, you must have a dependent child or a stepchild for whom you can claim an exemption and have been entitled to file a joint return with your spouse in the year in which he or she died.

For more information about which filing status is best for you, contact your tax professional.

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