



# Filing Status

2016



**TAX ALTERNATIVE GROUP** LLC  
TAX STRATEGIES FOR TODAY

695 Dutchess Turnpike  
Suite 202  
Poughkeepsie, NY 12603  
(845) 242-2151 Office  
(855) 309-0281 Fax

## Single

A taxpayer is unmarried in 2015 if:

- The taxpayer has never married,
- The taxpayer was legally separated, according to state law, under a decree of divorce or separate maintenance.
- The taxpayer's spouse died before January 1, 2015, and the taxpayer did not remarry in 2015.

If the taxpayer meets the definition of unmarried, file as Single unless the requirements for one of the following filing statuses are met.

- Head of Household, or
- Qualifying Widow(er) with Dependent Child.

## Married Filing Joint (MFJ)

A taxpayer can file a joint return in 2015 with a spouse if:

- The taxpayer was married at the end of 2015, even if the taxpayer did not live with the spouse at the end of 2014.
- The taxpayer's spouse died in 2015, and the taxpayer did not remarry in 2015.
- The taxpayer was married at the end of 2015, and the spouse died in 2016 before filing a 2015 return.
- The taxpayer lived with a person in a common-law marriage recognized in the state where they live or in the state where the common-law marriage began.

A taxpayer can file MFJ if both spouses agree, otherwise a married taxpayer may file:

- Married Filing Separately (MFS), or
- Head of Household (HOH) if the taxpayer meets the requirements to be "Considered Unmarried." See *Head of Household*, later.

## Married Filing Separately (MFS)

### Married Filing Separately—Special Rules

50% of MFJ	<ul style="list-style-type: none"> <li>• Standard deduction.</li> <li>• Tax brackets.</li> <li>• AMT exemptions.</li> <li>• Net capital loss deduction (\$1,500).</li> <li>• Exclusion of gain on home sale.</li> </ul>	<ul style="list-style-type: none"> <li>• First-Time Homebuyer Credit.</li> <li>• Home mortgage interest limits.</li> </ul>
Income limits 50% of MFJ	<ul style="list-style-type: none"> <li>• Child Tax Credit.</li> <li>• Retirement Savings Contributions Credit.</li> <li>• Reduction of itemized deductions.</li> <li>• Exemptions phase out.</li> </ul>	
Credits disallowed	<ul style="list-style-type: none"> <li>• Earned Income Credit.</li> <li>• Elderly or Disabled Credit unless spouses lived apart all year.</li> <li>• Child and Dependent Care Credit in most cases.</li> <li>• Adoption Expense Credit in most cases.</li> </ul>	
Education benefits disallowed	<ul style="list-style-type: none"> <li>• Education credits.</li> <li>• Exclusion for U.S. bond interest.</li> </ul>	<ul style="list-style-type: none"> <li>• Tuition and fees deduction.</li> <li>• Student loan interest deduction.</li> </ul>
IRAs	<ul style="list-style-type: none"> <li>• Contributions phased out at \$10,000 unless spouses lived apart all year.</li> <li>• No Roth conversions before 2011.</li> </ul>	
Social Security	For MFJ, benefits are not taxable if income is under \$32,000. The taxation threshold is zero for MFS, unless spouses did not live together at any time during the year.	
Rental Real Estate Losses	Deduction is \$12,500 reduced at modified AGI over \$50,000. No deduction if spouses lived together at any time during the year.	

Any taxpayer that was married at the end of 2015 can file as MFS. Generally, a taxpayer will pay more tax by filing MFS.

## Head of Household (HOH)

The HOH filing status applies to unmarried individuals (or married individuals considered unmarried) who provide a home for a qualified individual.



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**Qualifying child.** The term qualifying child for purposes of the HOH rules has the same meaning as for the dependency test.

**Qualifying relative.** A qualifying relative can be a qualifying person for HOH filing status if the taxpayer paid more than half the cost of keeping up a home where the qualifying relative lived for more than half the year. The taxpayer must be eligible to claim a dependency exemption for the qualifying relative, and the qualifying relative must meet one of the following relationship tests.

- Son, daughter, stepchild, foster child, or a descendant of any of these (such as a grandchild),
- Brother, sister, or a son or daughter of either (such as a niece or nephew),
- Father, mother, or ancestor or sibling of either, (such as grandmother, grandfather, aunt, or uncle), or
- Stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.

**Note:** A person other than the relationships listed, above, who lived with the taxpayer all year as a member of the taxpayer's household, can qualify the taxpayer to claim a dependency exemption for that person, but such person who is a dependent only because they lived with the taxpayer all year does not qualify the taxpayer for HOH filing status.

**Temporary absences.** Temporary absences for special circumstances count as time lived in the taxpayer's home. Special circumstances include time away from home going to school, vacation, business, medical care, military service, and detention in a juvenile facility. A person who was born or who died during the year is treated as living in the home for the entire year if the home was their main home for the part of the year he or she was alive.

**Married individuals considered unmarried.** A married individual can be considered unmarried for HOH purposes if all the following apply.

- The taxpayer lived apart from his or her spouse for the last six months of the year. Temporary absences for special circumstances, such as for business, medical

care, school, or military service, count as time lived in the home.

- The taxpayer does not file a joint return with his or her spouse.
- The taxpayer paid over half the cost of keeping up the home during the year.
- The taxpayer's home was the main home of the taxpayer's child, stepchild, or foster child for more than half the year.
- The taxpayer claims this child as a dependent, or the child's other parent claims him or her as a dependent under the rules for children of divorced or separated parents.

## Qualifying Widow(er) (QW)

The QW filing status is available for the first two years following the year a spouse died, provided all the following requirements are met.

- The spouse died in 2013 or 2014 and the taxpayer did not remarry in 2015.
- The taxpayer has a child or stepchild that the taxpayer can claim as a dependent. This does not include a foster child.
- The child lived in the taxpayer's home for all of 2014. If there is a temporary absence for special circumstances, the child is not considered to be away from home, such as for school, vacations, medical care, business, military service, or detention in a juvenile facility.
- The taxpayer paid over half the cost of keeping up a home.
- The taxpayer filed a joint return with deceased spouse in the year of death or could have filed a joint return that year.

If the taxpayer's spouse died in 2015, the taxpayer is married for 2015 and cannot file as a Qualifying Widow(er) until 2016.

## Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.

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