Married Filing Jointly (MFJ) vs Married Filing Separately (MFS)

Your marital status on the last day of the year determines your marital status for the entire year. If you were married on December 31, then the IRS considers you married for the entire year. Married couples may elect to file Married Filing Jointly or Married Filing Separately. There is no Married Filing Single.

If you are MFS, you must report your spouse's social security number on your return to file electronically. If you do not know it, you will need to paper file the return which will delay your refund.

Taxpayers can split their refund into a maximum of three different bank accounts.

Married Filing Jointly is generally the most beneficial filing status.

Disadvantages of MFS:

- Tax rate is generally higher
- Standard deduction is half the amount of a joint return; if one spouse itemizes, then both spouses must itemize
- No Earned Income Tax Credit (see Pub 4012, I-2 for exception)
- No Child and Dependent Care Credit
- No Education Credits (American Opportunity Credit and Lifetime Learning Credit)
- No student loan interest deduction
- You can't exclude any interest income from qualified US Savings Bonds that you used for higher education expenses
- Capital loss deduction is limited to $1,500 (instead of $3,000 on a joint return)
- The amount that can be excluded from income under an employer's dependent care assistance program is limited to $2,500 (instead of $5,000)
- You can't take the exclusion or credit for adoption expenses in most cases

Additionally

The following credits and deductions are reduced at income levels <u>half</u> those for a joint return:

- Child Tax Credit
- Retirement Savings Contributions Credit
- Itemized deductions
- Deduction for state and local income, sales, and property taxes

If you lived with your spouse at any time (1 night) during the tax year:

- You can't claim the Credit for the Elderly or the Disabled
- 85% of Social Security benefits or Equivalent Railroad Retirement benefits may be taxable; if you lived apart for the entire year, then 85% is taxable if your income is more than $34,000

Head of Household – one spouse claims MFS. The other spouse can claim HOH, if AND ONLY IF, ALL of the following apply:

- File a separate return
- Paid more than half the cost of keeping up the home for the year (rent, mortgage, real estate taxes, insurance, repairs, utilities, and food eaten in the home. Monies received from TANF and other public assistance programs do not count as money you paid. Dependent's SSA is considered paid by someone else.)
- Home is the main home for the child(ren) for more than half the year.
- Lived apart from your spouse for all of the last 6 months of the year. Spouse is considered to live in your home even if he/she is temporarily absent due to illness, education, business, vacation or military service.

Injured Spouse Allocation (Form 8379)

The injured spouse on a jointly filed tax return files this form to get back their share of the joint refund when the joint overpayment is applied to a past-due obligation of the other spouse. You may be an injured spouse if you file a joint tax return and all or part of your portion of the overpayment was, or is expected to be, applied (offset) to your spouse's legally enforceable past-due federal tax, state income tax, state unemployment compensation debts, child or spousal support, or a federal nontax debt, such as a student loan. To file, injured spouse must have earned income. Even if a tax return with Form 8379 is filed electronically, it will take the IRS generally 11 weeks to process. Refer to Instructions for Form 8379.

Innocent Spouse Relief (Form 8857) – OUT OF SCOPE

By requesting innocent spouse relief, you can be relieved of responsibility for paying tax, interest, and penalties if your spouse (or former spouse) improperly reported items or omitted items on your tax return. Taxpayers should refer to Publication 971, Innocent Spouse Relief.