Steven M. Ellard, CPA
Guiding clients toward financial success.

TAX GUIDE
for marriage

Ask the typical bride and groom what's included in the wedding plans, and they probably won't mention a thorough tax review. Yet, the tax and financial aspects of getting married are not to be taken lightly. If you're planning to marry, take the time to consider the following issues.

Tax **PENALTIES**

Marriage causes many tax regulations to take effect retroactively; that is, if you were married on December 31, some rules apply as if you had been married for the entire year.

■ ***Two incomes.*** For instance, the total annual wages of both spouses are combined on a joint return regardless of when the wedding took place. Because two wage-earners filing jointly will often pay more tax than if they filed as singles, this can cause a tax problem known as the "marriage penalty." You may need to increase your withholding or estimated tax payments, or you could face penalty and interest charges on underpaid taxes.

If you've planned a year-end wedding, you might save taxes by changing the date to the following year.

■ ***Deductions.*** Marriage can affect deductions, too. Combined incomes can reduce itemized deductions, such as medical expenses and casualty losses, by raising adjusted gross income (AGI). So, if one spouse has significant medical expenses, filing jointly might reduce their tax deduction.

Also, if one of you has a retirement plan at work and the other contributes to an IRA, you may not be able to deduct the full amount of your IRA contributions after you're married.

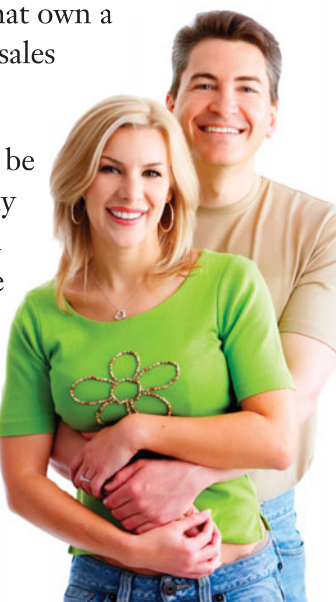
Tax **BENEFITS**

But marriage also has its tax advantages. Here are a few examples.

■ ***Single income.*** If only one spouse has income, the wider brackets for marrieds at certain tax rates will give the couple a lower tax bill than paying as a single on the same amount of income. This benefit is called the "marriage bonus."

■ ***IRA.*** A wage-earning spouse can make an additional IRA contribution for a nonworking spouse.

■ ***Home sale.*** Married homeowners also get double the gain exclusion, from $250,000 to $500,000, when selling their home. The only catch is that both spouses must have lived in the home for two years, and neither spouse can have used the exclusion in the previous two years. Clearly, couples that own a home should carefully plan future sales to take advantage of this tax break.



■ ***Estate taxes.*** Estate taxes can be lightened by marriage. Even if only one spouse has significant assets, a married couple can exempt double the amount that a single person can exempt from estate tax. Also, married taxpayers can jointly make tax-free gifts of double the amount a single taxpayer can make.

TAX CHECKLIST

AFTER THE WEDDING

Don't wait too long after the wedding to spend a little time on tax matters. Here's a checklist of things to consider:

- [ ] If you've taken your spouse's last name or hyphenated your last name, you need to notify the Social Security Administration. The agency will link your new name to your social security number and issue a new social security card.

- [ ] If you move to a new home, send a change of address to the IRS, the financial institutions where you have accounts, and current-year employers. Then your W-2s and IRS notices will find their way to you.

- [ ] Your marital status for tax filing is determined by your status on the last day of the year. Calculate the impact of the marriage penalty to see whether you need to change your income tax withholding. File a new Form W-4 with your employer's payroll department to notify them of your name change and any withholding change.

- [ ] Update your will and other estate planning documents. Don't forget to review the beneficiaries on your IRAs, 401(k) plan, and life insurance policies. You'll want to make sure your documents are updated and taxes are minimized in the event of your disability or death.

The information in this brochure is of a general nature and should not be acted upon without further details and/or professional guidance. For assistance, please contact our office.

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