

NAVIGATING THE CHALLENGES OF TAXES AND DIVORCE

Most of us don't look forward to getting our taxes done, but if you recently filed for divorce or are divorced, it can make the process even more complex. Working with a wealth advisor to help you figure out how certain assets may be taxed and what you need to report on your tax return can help relieve some of the stress associated with these complexities.

Tax Filing Status¹

Before you can file, you have to determine your filing status. According to the IRS, if you divorce or legally separate by Dec. 31, your filing status will be single, although you could qualify as head of household if you meet certain requirements. If you or your spouse file for divorce, but it's not yet finalized by Dec. 31, the IRS considers you married for tax filing purposes. Consult with your wealth advisor or tax professional for advice on your filing status.

Reporting Dividends and Interest^{2,3}

If income legally owed to a third party, such as your ex-spouse, is being reported to the IRS under your Social Security number, then the IRS considers you a "nominee recipient." If this happens, you should report the entire amount of income (shown on the 1099 you received) on your tax return. You should also report a negative amount that represents the income legally assigned to the other party's tax return, along with his or her Social Security number.

Transfer of Property⁴

If you transfer property, such as a home, to a former spouse because of a divorce, generally there is no recognized gain or loss. You won't be subject to gift tax if you meet these exceptions:

- It is made in settlement of marital support rights.



- It qualifies for the marital deduction.
- It is made under a divorce decree.
- It is made under a written agreement, and you are divorced within a specified period.
- It qualifies for the annual exclusion.

Sale of Property⁴

If you choose to sell a property that you own with a spouse to split the proceeds as part of your property settlement, you have to report your share of the recognized gain or loss on your income tax return for the year of the sale. Your share of the gain or loss is determined by your state law governing ownership of property, so ask your tax or legal advisor for guidance related to your location.



Consult With an Advisor⁵

These are just a few of the scenarios related to assets that you may need to account for when you do your taxes during or after a divorce.

Building a relationship with a wealth management team at Mariner Wealth Advisors includes access

to experienced tax planning and preparation professionals who can help you navigate the tax ramifications of divorce and hopefully put you on the right financial track to starting a new chapter in your life.

¹ "What Getting Divorced or Separated Means for Your 2019 Tax Return," thebalance.com. <https://bit.ly/2m5gXOn>

² "The Taxing Side of Divorce," stout.com. <https://bit.ly/2m55xdz>

³ "Topic No. 403 Interest Received," irs.gov. <https://bit.ly/2lZyKX2>

⁴ "Community Property," irs.gov. <https://www.irs.gov/pub/irs-pdf/p555.pdf>

⁵ Additional fees may apply for tax planning and preparation services.

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