

Getting Married and Related Tax Issues

Article Highlights:

- SSA Name Change
- IRS Address Change
- Postal Service Address Change
- Tax Withholding
- Tax Filing Status
- Marrying A Non-resident Alien
- Joint and Several Liability
- Beware of Tax Scams

Most weddings planned for 2020 were delayed because of COVID, causing a big upswing in the number of weddings in 2021. Although tax issues are the furthest thing from their minds during this big life-changing event, newlyweds should know how tying the knot can affect their tax situation. There are actions they need to take to avoid problems and unfortunate tax surprises. If you are newly married, here's a checklist of "to do's" to help you:

- **SSA Name Change** - When a name changes through marriage, it is important to report that change to the Social Security Administration (SSA). The name on a person's tax return must match what is on file at the SSA. If it doesn't, it could delay any tax refund. To update information, you should file [Form SS-5](#), Application for a Social Security Card. The instructions for completing and filing the form are included with the form.

You'll also need to tell your employer of your name change so that your name and Social Security number on the W-2 form your employer issues will match the SSA's records. This is important so that your earnings during the year and the payroll taxes you've had withheld are properly credited to your SSA account.

- **IRS Address Change** - If marriage means a change of address, the IRS and U.S. Postal Service need to know. It is very important that the IRS have your correct address in case you are sent a notice about an already filed tax return. Responding to an IRS notice is essential to avoid compounding the problem that created the IRS inquiry in the first place. You don't want to miss making a timely response because you didn't notify them of an address change. An address change cannot be an excuse for any consequences of not responding.

To change your address with the IRS file [Form 8822](#), Change of Address. Instructions on how and where to file are included with the form. If your state also has an income tax, check the website of the state's tax department for a change of address form. Because the IRS is so backed up due to COVID, it might even be appropriate to pay the post office a little extra for their proof of mailing service just in case you should need it.

- **Postal Service Address Change** – It will take time for IRS to make the address change after the Form 8822 is filed, so make sure the U.S. Postal Service (USPS) is notified to forward mail to your new address by going online at [USPS.com](#) or go to their local post office. Also, notify your employer(s), financial firms, retirement payers, etc., of your new address.
- **Tax Withholding** – After getting married, couples should consider changing their withholding. Newly married couples must give their employers a new [Form W-4](#), Employee's Withholding Allowance within 10 days. If you and your spouses both work, you may move into a higher tax bracket or be affected by the additional [Medicare tax](#). You can use the [Tax Withholding Estimator](#) to help complete a new Form W-4. Additional information related to completing W-4s and estimated

tax payments are available in [IRS Publication 505](#), Tax Withholding and Estimated Tax.

- **Tax Filing Status** - Married people can choose to file their federal income taxes jointly (on one tax form) or separately (each filing their own tax form) each year. While married filing jointly is generally the most beneficial way, it's best to figure the tax both ways to find out which is better. Remember, if a couple is married as of December 31, the law says they're married for the whole year for tax purposes.

If your new spouse is a non-resident alien, the law requires you to file a married separate return unless you and your alien spouse both elect to file a joint U.S. return reporting world-wide income. This decision can have a profound impact on your tax liability, and you should discuss the ramifications with this office before deciding.

- Some of the more relevant negative issues related to filing separately are outlined in the following chart:

CONSEQUENCES OF FILING MFS		
This is a condensed list of commonly encountered issues when married taxpayers use married filing separate status as opposed to filing a joint tax return. PO = phaseout Dollar amounts are for 2021		
Attribute	Married Joint	Married Separate
Filing Threshold	Std Deduction + age 65 amts.	\$5
Changing Filing Status	MFJ to MFS allowed only if by the unextended due date. MFS to MFJ OK within 3 years of the unextended due date.	
Community Property	Only applies when filing MFS returns	Earned income split; FICA, SE Tax, IRA separate
Joint & Several Liability	Both spouses are responsible for the tax	Only responsible for tax on separate return
SS Benefits Taxation Threshold	\$32,000	Zero (Entire amount taxed at 85%)
Capital Loss Limitation	\$3,000	\$1,500
Sec 179 Limitation	\$1,050,000	Allocate between spouses
Rental Loss Limitation	\$25,000 – PO: 100K-150K	\$12,500 – PO: 50K-75K
Traditional IRA	Both Active PO: \$105K - \$125 One Active PO: \$198K - \$208	PO: \$0 - \$10,000
Roth IRA	PO: \$198K - \$208K	PO: \$0 - \$10,000
Series EE or I Bonds – education exclusion	Allowed	None Allowed
Higher Education Interest	\$2,500 per year	None Allowed
Standard Deduction	\$25,100 + Age 65 Amounts	\$12,550
Standard vs Itemized	Optional	If one itemizes both must, except if filing HH even if the other itemizes.
Medicare Premiums	Rates for MFS are significantly higher based on MAGI	
Home Mortgage Interest	MFS spouses are treated as if they are one taxpayer and will have to split between them the amount they would be entitled to jointly. If two homes each can only claim one unless they agree one can claim both.	
AMT	Use half of MFJ exemption and PO. MFS threshold for 28% tax rate is half that of MFJ	
Tax Rates	Marginal rates for MFS are twice that of MFJ	
Child & Dependent Care Cr.	MFS cannot claim unless legally separated	
Child & Other Dependent Cr.	PO Threshold: \$150K	PO Threshold: \$75K
EITC	Where one spouse is able to file as HH and lives in a community property state, EI for the credit does not include amounts earned by the other spouse	
Adoption Cr.	Allowed for MFS only if spouses lived apart last 6 months, child lived with taxpayer more than half the year, taxpayer provided over half the cost of maintaining the home.	
Elderly & Disabled Cr.	Allowed	Not Allowed
Retirement (Saver's) Cr.	No credit if AGI over: \$66K	No credit if AGI over: \$33K
Tax Withholding	MFS taxpayers only claim their own unless community property	
Estimated Tax Allocation	Jt. estimates divided any way they can agree. Can't agree, in proportion to MFS return tax.	Take credit for own payments
Estimated Tax High Income Safe Harbor – Prior Year Tax	AGI > \$150,000 110% of prior year tax	AGI > \$75,000 110% of prior year tax
Premium Tax Credit	Can claim	Cannot claim Exceptions: victim of spousal abuse, abandonment and low-income minimum payback.
Automatic 2-month extension Out of the country	Applies to both even if only one spouse out of the country	Applies only to spouse out of the country.

Joint and Several Liability – There is always the possibility that one party to the marriage may owe back taxes, child support, or alimony from a prior marriage. If the newlyweds subsequently file a joint return each of them is legally responsible for the entire liability. Thus, any joint tax refund can be seized to satisfy those liabilities and is something that should be considered when making the filing status decision.

Beware of Tax Scams - All taxpayers should be aware of and avoid tax scams. The IRS will never initiate contact using email, phone calls, social media, or text messages. First contact generally comes in the mail.

If you need assistance completing your new W-4s, adjusting estimated tax payments, determining which filing status is best for you or other tax issues related to getting married, please give this office a call.

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