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Cathleen  
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## **DIVORCE & TAXES**

by Cathleen Collinsworth, CDFA™, MAFF™

Many issues need to be addressed whenever two people decide to get divorced. One major issue is income taxes.

Some of the more common questions are:

- Do we file jointly or separate?
- Do we have to allocate the income and if so how?
- Do we have to allocate the expenses and if so how?
- My spouse is self-employed. Who pays the self-employment taxes?
- Who gets credit for the estimated tax payments?
- We have one child. Who gets the deduction?
- We have more than one child. Can we split the deduction?
- I paid a lot of attorney and accounting fees. Can I deduct them?

### **Divorce Court's Orders do not control tax consequences.**

The following is a list of some of the issues that a CDFA™ and tax professional can bring to the table that attorneys and the participants in a divorce often overlook. This list is not all-inclusive.

- Discounting Epstein credits for the tax benefits.
- Weighing the risks of filing a joint return.
- Considering the child support trap of IRC § 71.
- Not fighting over the dependency exemption when the client can't use it.
- Considering if both can be head of household.
- Not assuming that the capital-gains tax is based on the client's share of the proceeds.
- Evaluating whether attorney's fees can be deductible or capitalized.
- Not considering the tax traps in dividing stock options.

As you can see there can be significant tax implications when the parties divorce. I am a Certified Divorce Financial Analyst and a Master Analyst in Financial Forensics. For the last 20 years, I have been practicing in the field of Forensic Accounting – Family Law.

Please do not hesitate to call if you have further questions, comments or would like additional information.

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