How to Keep Your Cool When Filing Tax Return After Divorce

Going through a divorce is hard enough already. When you throw in filing taxes as a separated or divorced couple, it can seem overwhelming. The first thing you and your former spouse need to do is determine your filing status.

What is Your New Filing Status?

How does divorce affect taxes? It turns out in nearly every way possible. While your filing status probably remained unchanged and was automatic during your marriage, that is no longer the case. Fortunately, the ***Internal Revenue Service (IRS) allows several options for selecting filing status after divorce.*** This is also true for couples filing taxes divorce not final.

How to File Taxes if Divorced during Year

If you divorced in 2019 and are filing that year's return in 2020, you have three options when it comes to choosing a filing status.

Married Filing Jointly

Married filing jointly could be a good option if you were still legally married as of December 31, 2019. Legally, you're not considered married if you and your spouse were legally separated on the last day of the previous tax year. This law varies from one state to the next. If your state allows it and you and your spouse desire to, you can choose married filing jointly even if you lived apart for much of the previous year.

The benefit of married filing jointly is that it usually creates the lowest tax liability. This is especially true when one spouse makes much more than the other. While it's usually the simplest option as well, make sure you understand that neither party can deduct alimony or change the filing status later.

Married Filing Separately Status

You can choose this option if you and your spouse were legally married on December 31. It's normally not the best choice for tax liability purposes, but every divorcing couple is unique. ***You might want to consider married filing separately if you're concerned your spouse could make intentional or unintentional errors on a joint return.***

This situation is most common when one spouse owns a business and the other has traditional employment. Filing separately protects you from IRS penalties in that case. ***Keep in mind you and your spouse will need to agree on dependency deductions if that applies in your case.***

Head of Household Status

This status can benefit both parties, but they must meet each of the following criteria:

- You cannot be legally married on the last day of the tax filing year.
- You cannot have been a non-resident alien for any part of the tax year.
- Your spouse cannot have died before the end of the tax year.
- You must maintain a household for six or more months of the previous year and lived there as your primary place of residence.
- Your spouse cannot have lived with you for six or more months of the tax year.

Choosing the Best Filing Status Can Be Complicated

Helping you make the best tax and financial decisions throughout your divorce is just one service we offer at Wall Legal Solutions. We invite you to schedule a free 30-minute consultation today to learn more about how we can help you.