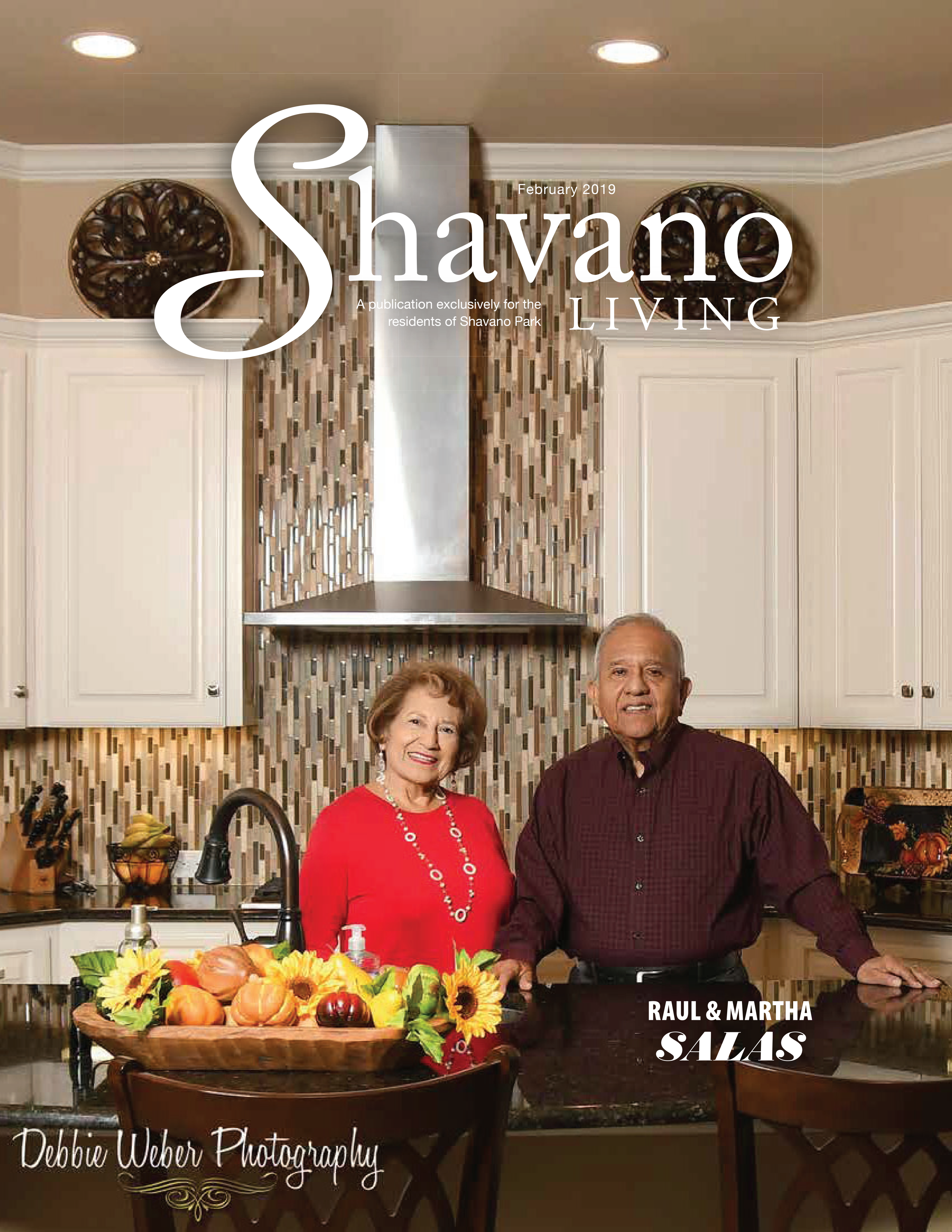
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Love & TAXES

By **Steven Bankler**, CPA, Shavano Park Resident

Love is in the air, which means wedding bells aren't far behind. And while taxes may not be first on your mind as you consider tying the knot, they shouldn't be overlooked. After all, marriage changes everything, taxes included.

Individuals marrying later in life who already have significant assets or income should be especially mindful. Some couples save on taxes when they get married, particularly when one person makes significantly more than the other. But for many newlyweds these days, both individuals are breadwinners. For them, filing jointly doesn't always work in their favor.

The so-called marriage penalty — which is a combination of various tax provisions — leads to some two-income couples owing more in taxes than they would have paid if they hadn't tied the knot. The difference in many cases adds up to hundreds or even thousands of dollars in extra income tax paid per year.

You may have heard that the recent Tax Cuts and Jobs Act (TCJA) did away with the marriage penalty but that's not entirely true. It simplified calculations and raised the threshold for most two-income households. The penalty, however, isn't gone for high-income earners. Once two-income joint filers each earn about $500,000, the marriage penalty can creep back in and result in about $8,000 more in taxes.

And you don't need to earn that much to be penalized in other ways. Under current regulations, married taxpayers may pay more in:

- Medicare expenses. An individual can have up to $200,000 in income before a Medicare surcharge tax of 0.9 percent kicks in, but the limit for married couples is only slightly more, at $250,000.
- State and local itemized taxes. The same $10,000 deduction limit applies to both single filers and married filers who choose to itemize their deductions.
- Net investment income tax. This 3.8 percent surcharge above a certain threshold also kicks in at the same level whether you're married or not.
- Capital gains. If your capital losses exceed your gains, you can deduct as much as $3,000 whether you're single or married.

We're often asked how couples can avoid these marriage penalties, particularly those who are high-income double earners. Strategies are based on dozens of individual factors, which are too varied to generalize.

However, we can tell you a few things that won't work.

First, as soon as you're married, filing as single taxpayers is no longer an option. To file separately, you can choose "married filing separately" status, but that is only tax-advantageous in very specific situations.

Second, you can't file as single taxpayers even if you were single for some or most of a tax year. If your wedding takes place on the evening of December 31, Congratulations! You must file as married taxpayers for that entire year. It's all or nothing as far as the IRS is concerned.

If you're worried about how marriage will affect your taxes, talk to a tax professional. With the marriage penalty evolving, you don't want to suddenly be left out in the cold and paying more taxes than necessary.

Steven Bankler has more than 40 years of experience in the accounting industry. Steven's expertise lies in consulting, planning, tax and asset protection as well as exit strategy services for closely held businesses. In addition, he also provides litigation support (both as a testifying expert witness and a consulting expert), business negotiations and estate planning. Learn more about Steven Bankler, CPA, Ltd. at www.bankler.com