

FILING TAXES
POST-DIVORCE



CPA GROUP
OF THE ROCKIES

COMMON MISTAKES TO AVOID

How does a divorce impact your tax situation? As you navigate through everything, here are some tax considerations you should keep in mind regarding your divorce.

We thought we'd share a few tips that address the most common mistakes we see—mistakes that could cost you if you're not careful and are a huge headache to correct.

1. **Ensure your name is correct:** The name on your return must match the name on your social security card. If your name changed after the divorce and you don't yet have your new documents, the IRS will likely reject your return or delay your refund.
2. **Agree on filing status and child tax credits.** Your marital status on Dec. 31 determines your tax filing status for the entire year. Unless the divorce is finalized by then, you need to know if you're filing jointly or separately with your spouse. Don't guess — consult your attorney and discuss with us. Additionally, the IRS only allows one parent to claim the child tax credit, so you and your spouse will need to discuss and be in agreement if you have dependents.



3. **Remember that alimony is no longer deductible.** The 2017 Tax Cuts and Jobs Act did away with many well-established deductions – alimony being one of them. As of Jan. 1, 2019, alimony is no longer a deductible expense nor reportable income.

4. **Take tax breaks associated with a home sale.** If you and your spouse sold a home as part of your divorce, and that home was your primary residence for two of the last five years, you might be able to exclude up to \$500,000 of the profits from the capital gains tax.

5. **Divide retirement funds with a QDRO.** While you can't simply divide shared retirement funds 50-50 without early withdrawal penalties, you can avoid fees by applying for a qualified domestic relations order (QDRO) first. It's a special court order, so make sure you have it in place before attempting to transfer money from a retirement account.

Filing your tax return the first year after a divorce may be a little tricky – if you have any questions now or during tax season, please reach out. Our team is here to help you through this stressful time!