

LIFE SPANS

THE BRIDGE DIVORCE STRATEGIES NEWSLETTER

INTERESTING INFO YOU CAN READ OVER A SINGLE CUP OF COFFEE!

IN THIS ISSUE:

- Dependency depends
- There is such a thing as a free lunch
- What?? Cheat on your clients' taxes??



JULIE KERN, CPA, CFP®, CDFIA®

DEPENDENCY DEPENDS

Imagine how a CPA and tax expert, like me, cringes when she hears people who are not tax experts, casually tossing around tax “advice.”

Yup. I’m talking about family law attorneys. Let me count the ways...

- “Oh, sure, you can claim that child tax credit—or, rather, child-care tax credit. Same thing.” (No. They’re not.)
- “That home equity with the same dollar-amount as the 401(k) is a fair trade.” (Nope. Among many other things, they’ll be taxed differently.)
- “Claiming a child as a dependent is the same thing as claiming them for ‘head of household’ purposes.” (Not even close.)

It’s a veritable litany of bad advice. My advice to you: Don’t go there. You know how careful you are with legal verbiage?

How a single “and” or “or” or the placement of a comma can change the whole meaning of a passage and its effect? Same thing here.

And this is just the *direct* advice. More insidious is the *indirect* advice I see all too often among my clients: women facing the financial (and tax) challenges of divorce.

Let’s talk about that whole head-of-the-household issue. A “qualifying child” for head-of-household purposes, as defined by the IRS, *means where the child spends the majority of the year, measured in actual overnights stayed*. That should make you sit up and take notice. The IRS couldn’t care less how that divorce decree is worded.

Speaking of wording, using “50/50” is really pointless in this regard, because if it were true, then *neither* parent could claim head-of-household status in terms of “qualifying child.” And breaking news: It’s impossible to divide a calendar year evenly, unless it’s a leap year, since only a leap year has an even number of days anyway. With some smart planning, however, *both* parents may be able to file as head of household and take advantage of the more favorable tax rates.

And here’s a myth you may have heard—and hopefully don’t believe: It says that “whoever files first, wins.” Not true. Now, if both parties try and claim the same child (defined by their Social Security number, for IRS purposes), the first return will sail through an e-file, while the second one will automatically get bounced, even if its information is correct. Then the IRS gives the taxpayer only five calendar days (not business days), including the day of the bounce, to mail the return—extra tricky when Easter and/or Good Friday fall near April 15th. Then there’s the letter that will come from the IRS regarding the qualifying child or dependency discrepancy; just imagine how your client will react. Then there’s the state’s response, which inevitably follows, but they take a little longer.

Bottom line: Do you want all of this to hit the fan, typically *months* after this case was supposedly closed out of your books and definitely off your radar? Do you want a frantic, seething client waiting on hold to tell you what they think in a situation like this?

Trust me, I’m only scratching the surface here. You definitely want to entrust any tax-related advice to a team member like me. I’d be happy to help. Just call.

THERE REALLY IS A FREE LUNCH

Given today’s COVID-19 environment, we are now offering online CLE, and will order lunch for the attorneys in your office who would like to participate from their remote locations. What a tasty way to learn things about the financial side of divorce that fly under your radar—and help you earn from one to three hours of CLE credit in the process!

Simply give us a call at (480) 378-2383 (or send an email to carma.hall@bridgefinancialstrategies.com) and say, “Hey! We’d love to take you up on that ingenious remote lunch-and-learn opportunity!” There’s no obligation. Call us today!

WHAT?? CHEAT ON YOUR CLIENTS’ TAXES??

Okay, I was purposely being cute here. Of *course* I’m not advocating that anyone cheat on anyone’s taxes. But I would like to offer you a taxes-in-divorce *cheat sheet*, absolutely free. It’s our latest 2021 edition, a handy little card you can keep in your desk drawer to help you with some quick, basic info about all kinds of important financial facts that pertain to divorce.

Want a copy? I’ll be happy to send you one. Simply give us a call at (480) 378-2383 (or send an email to carma.hall@bridgefinancialstrategies.com). Go for it!

FIND US AT:

Bridge Divorce Strategies
11111 N Scottsdale Rd., Suite 205K
Scottsdale, AZ 85254
(480) 378-2383

www.bridgedivorcestrategies.com

