

Tax Talk May Be Best Valentine's Day Gift for Newlyweds, Exes

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Falling in or Out of Love in 2008 Could Mean Savings at Tax Time

KANSAS CITY, MO, Feb 10, 2009 (MARKET WIRE via COMTEX) -- What better way to say 'I love you' than... to discuss your taxes? Taxes may not be the most romantic topic on Valentine's Day, but a wedding -- or divorce -- in 2008 may make a difference on your tax return.

Taxpayers who were married or divorced in 2008 could be eligible for additional recovery rebate credit money, depending on their income level and economic stimulus payment they received. An estimated 1 in 5 -- or 25 million taxpayers -- may have a second chance for rebate money from last year's economic stimulus plan, according to The Tax Institute at H&R Block (NYSE: HRB). In addition, there are other tax implications.

"Most new couples are thinking about how to start their marriage off with a strong foundation, including a focus on money matters," said Amy McAnarney, executive director of The Tax Institute at H&R Block. "And as recent divorcees rebuild their lives; their financial situation is top of mind."

For newlyweds, The Tax Institute recommends the following when preparing their first return as a married couple:

- Filing status: Married taxpayers typically file a joint return because of the added tax benefits and credits. Filing separately is usually worse because many deductions and credits are reduced or lost. However, filing separately can actually lower a tax bill in certain cases. Taxpayers might want to figure out your taxes both ways to determine which is best. And don't forget to figure your state taxes, too.
- Name change: If you changed your name after you were married, apply for a Social Security card with your new name.
- Moving: To avoid any delays in refunds or correspondence, inform the IRS if you moved.
- Professional help: Visit a tax professional and have an estimate of your current-year tax done to find out if you should adjust your withholding. Or, you can go online and use the H&R Block Withholding Calculator to see how much you should withhold from your paycheck:
http://www.hrblock.com/taxes/tax_calculators/index.html#

A divorce or legal separation can complicate tax returns. Recent divorcees should understand the terms of their divorce and consider these issues when preparing their returns:

- Head of Household status: If you are divorced as of the last day of 2008, paid more than half the cost of keeping up your home, and the qualifying dependent lived in your home more than half the year, you may be eligible to claim this status. If you are still married but your spouse did not live in the same house with you and your child, you may qualify to be treated as unmarried for tax purposes.
- Children: Child support isn't deductible by the payer, and it's not income to the recipient. If you're the custodial parent, you can claim the child as a dependent. The noncustodial parent can claim the dependent exemption for the child only with consent of the custodial parent. You must attach the written consent to your tax return.
- Alimony: Alimony is deductible by the payer and considered taxable income to the payee. The payer and recipient need to have alimony payments clearly defined in the divorce agreement. If your alimony payments decrease more than \$15,000 in the first three years, see the recapture rules in IRS Publication 504, Divorced or Separated Individuals.

Whether you live in Valentine, Neb., or Loveland, Colo., not getting all the tax credits and deductions possible could be costing

more than the Valentine Day's confections, flowers and restaurants.

Visit www.hrblock.com/taxes/tax_tips and www.digits.hrblock.com or call 1-800-HRBLOCK for more information on helpful tax tips, or to locate one of H&R Block's more than 13,000 locations nationwide.

The Tax Institute, a division of H&R Block, is a national leader in providing unbiased research, analysis and interpretation of federal and state tax laws. Staffed by Enrolled Agents, CPAs, and Attorneys, The Tax Institute provides industry expertise for matters related to taxes and the professional tax preparation industry.

About H&R Block

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