'Til Taxes Due Us Part: H&R Block Gives Newlyweds Four Tax Tips

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Major Life Change Can Bring About Major Tax Change

KANSAS CITY, MO -- (MARKETWIRE) -- 02/13/13 -- Ground Hog's Day. Presidents Day. In some years Leap Day. But nothing highlights the middle of February like Valentine's Day. On this day of love, recently married and soon-to-be-married couples have some additional things to keep in mind this tax season. H&R Block (NYSE: HRB) gives newlyweds four tips to ensure they don't overpay their taxes when filing as married for the first time.

"When a major life change happens, taxpayers need to know it could impact their tax situation," said Kathy Pickering, executive director of The Tax Institute at H&R Block. "Not understanding the impact of the resulting tax changes to the individual and household can be costly."

Here are some tips the approximate 2.2 million couples who marry annually should keep in mind when combining taxes with wedded bliss:

- ***Pick a new filing status*** **--** People who are married can no longer file using the "single" status. Instead, they must file either as married filing jointly or married filing separately. The IRS determines filing status based on the last day of the year. So even those who got married Dec. 31 are considered married for the whole year.
  - Many married couples file a joint tax return because it often results in the lowest tax liability. When filing jointly, taxpayers file one return that includes all tax information for both spouses. This makes both spouses jointly and separately liable for what is on the return.
  - The other option is to file as "married filing separately." Approximately 2.5 million taxpayers choose this status annually. Additionally, some of the tax benefits available to those filing jointly are not available when filing separately.
- ***Update W-4s*** **--** In some instances, married couples filing jointly can together earn twice as much money as a single individual and remain in the same tax bracket. To make sure the correct amount is withheld from their paychecks, newlyweds should check their withholding allowances on Form W-4. This form determines how much federal income tax is withheld from paychecks, based on the number of allowances claimed. Marital status is a consideration that can be taken into account when determining the number of allowances claimed. As more allowances are claimed, less tax is withheld.
  - If there are dependents, the couple should decide together on any additional allowances for any dependents they claim. If both claim an additional allowance for the same dependent, that could result in too little withholding throughout the year and a possible tax penalty.
- ***Understand house sale rules*** **--** If one house was sold as a result of combining two households, meeting the "two-out-of-five" rule could help ease the tax burden of the gain. If the seller owned and used the home as a main residence for at least two of the past five years before selling it, usually the seller can exclude some or all of the gain from taxable income. Generally, the maximum exclusion is $250,000, but joint filers can exclude up to $500,000 if they meet these three requirements:
  - Either spouse meets the ownership test
  - Both spouses meet the use test
  - Neither spouse excluded gain from a home sale in the previous two years.
- ***Know retirement plan rules*** **--** Filing a joint return may give married couples an edge. For example, to contribute to an IRA, individuals must have earned income. For couples with only one working spouse, the law allows a contribution to the IRA of a spouse with no earned income, if they file a joint tax return.

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The Tax Institute at H&R Block is the go-to source for objective insights on federal and state tax laws affecting the individual. It provides nonpartisan information and analysis on the real world implications of tax policies and proposals to policymakers, journalists, experts and tax preparers. The institute's experts include CPAs, Enrolled Agents, tax attorneys and former IRS agents.

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