CAPTRUST

Q&A: How Will Divorce Affect My Taxes?

Q: How will divorce affect my taxes and filing status?

A: Your marital status on December 31 generally determines your tax filing status for the entire year.

If you are legally divorced or separated by the end of the year, you are typically considered unmarried for that tax year. In that case, your filing options may include single or, if you meet specific requirements, head of household.

If your divorce is not final by December 31, the IRS generally considers you married for that year, even if you lived apart. In that situation, you would usually file as married filing jointly or married filing separately.

These distinctions matter because filing status affects tax brackets, standard deductions, and eligibility for certain credits.

Divorce can also affect other areas of your tax return.

- **Dependents:** Only one parent can generally claim a child in a given year, a decision often addressed in divorce agreements.
- **Alimony:** For divorces finalized after 2018, alimony payments are generally not deductible by the payer or taxable to the recipient at the federal level.
- **Withholding:** Changes in income, household structure, or filing status may require updates to tax withholding.
- **Property transfers and retirement accounts:** Certain transfers may carry tax implications if not handled correctly.

Because these rules can be complexâ??and because state tax laws may differâ??itâ??s important to review your situation carefully.

Divorce doesnâ??t just change your personal life; it reshapes your financial and tax picture. Understanding how these changes affect your filing status and tax obligations can help you avoid surprises and support more informed planning decisions.

Before filing, consider consulting with your financial and tax advisors to ensure that your filing status and tax strategy align with your new circumstances. You might even consider looking for a financial advisor who has a Certified Divorce Financial AnalysisÂ® (CDFAÂ®) credential. CDFAÂ® professionals complete an intensive training program to hone their skills in providing expertise thatâ??s directly related to the financial issues of divorce.

Have questions? Need help? Call the CAPTRUST at Work Desk at 800.967.9948, or schedule an appointment with a retirement counselor today.
