



## Filing Status

- **Filing Status Decision Tree is included in your folder.**

# Filing Status

- Determine the most advantageous (and allowable) filing status for the taxpayer
- Filing status affects the amount of the standard deduction, impacts the calculation of income tax, and determines allowance or limitation of certain credits and deductions.
- There are five filing statuses:
  - Single
  - Married Filing Jointly (MFJ)
  - Married Filing Separately (MFS)
  - Head of Household
  - Qualifying Surviving Spouse (QSS)

# Filing Status: Single

- Taxpayers may file as **Single** if they are **unmarried on the last day of the tax year**, which means:
  - Never been married,
  - Divorced or Legally Separated\*\*
  - Widowed before the beginning of the tax year and did not remarry

\*\*Legal separation is not available in Michigan.

- Note: Some single taxpayers may qualify for Head of Household or for Qualifying Surviving Spouse status, which can mean a lower tax. These filing statuses covered later in the presentation.

# Filing Status: Married Filing Jointly (MFJ)

- If two taxpayers are married, they can choose to file a joint return.
  - Married taxpayers who choose to file a joint return will use one return to report their combined income and to deduct combined allowable expenses.
  - Married taxpayers can select this status even if one of the spouses did not have any income or any deductions, or even if they did not live together for the whole year.
  - Note: The taxpayer and their spouse must both be at the tax site, exceptions **may** apply. Get your site coordinator involved.
- If a taxpayer's spouse dies during the tax year, they are considered married for the entire year for filing status purposes. If they didn't remarry before the end of the tax year, they can file a joint return with the deceased spouse. (They can also file as MFS.)
- If the taxpayers are returning clients, make sure that the primary taxpayer is the same as in prior years. This ensures that their information is carried forward from last year.

# Filing Status: Married Filing Jointly (MFJ)

- Both taxpayers must include all worldwide income on their joint return.
- Both may be held responsible, jointly and individually, for the tax and any interest or penalty due on the joint return, even if all the income was earned by only one spouse.
- When a joint return is filed and a past-due amount is owed by only one spouse, the other spouse may be considered an injured spouse and able to claim their portion of a joint refund. (Injured spouse covered later in the presentation.)

# Filing Status: Married Filing Separately (MFS)

The Married Filing Separately status is for taxpayers who are married, and either:

- Choose to file separate returns, or
- Cannot agree to file a joint return

Taxpayers who file as Married Filing Separately each report their own income and deductions on separate returns.

Generally, the tax law encourages married couples to file a joint return.

- It is not required, but it is generally more beneficial.

**Note: The software will ask whether or not the taxpayer lived with the spouse at any point during the year to determine any taxable Social Security Benefits.**

# Filing Status: Married Filing Separately (MFS)

Special rules apply for a taxpayer filing as married filing separately. Because of these special rules, they usually pay more tax on a separate return than if they use another filing status they qualify for.

- Tax rate is generally higher than on a joint return
- NO credit for child and dependent care expenses and NO earned income credit (unless the taxpayer meets the requirements to be considered unmarried)
- NO education credits (American Opportunity or Lifetime Learning)
- NO exclusion or credit for adoption expenses in most cases
- NO deduction for student loan interest
- Limited to \$1,500 in capital losses (instead of \$3,000 on a joint return)
- NO exclusion for interest income from qualified U.S. savings bonds used for higher education expenses
- If lived with spouse at any time during the year, a greater percentage of Social Security income is taxed (up to 85%) and can't claim the credit for the elderly or the disabled
- if one spouse itemizes deductions, the MFS taxpayer can't claim the standard deduction
- The MFS filing threshold is \$5

# Filing Status: Married Filing Separately (MFS)

- Married taxpayers sometimes choose to file separate returns when one spouse does not want to be responsible for the other spouse's tax obligations, or because filing separately may result in a lower total tax.
- Another common reason taxpayers file as Married Filing Separately is to avoid an offset of their refund against their spouse's outstanding debts.
  - This includes past due child support, past due student loans, or a tax liability the spouse incurred before they were married.
  - If married taxpayers want to file separately, and a potential refund offset is the reason, suggest that they file a joint return with Form 8379, Injured Spouse Allocation (covered later in the presentation).
- Note: Some married taxpayers may be able to use the Head of Household filing status, which may result in a lower tax than MFS.



# Filing Status: Head of Household

- Taxpayers may qualify for the **Head of Household** filing status, if they:
  1. Are unmarried or “considered unmarried”\*\* on the last day of the tax year, **and**
  2. Paid more than half of the cost of keeping up a home for the required period of time, **and**
  3. Had a qualifying person living in their home for more than half the year (except for temporary absences, such as school).

\*\*A taxpayer is *considered unmarried* on the last day of the tax year if:

1. They paid more than half of the cost of keeping up their home for the tax year,
2. Their spouse did not live in their home during the last 6 months of the year,
3. Their home was the main home of their child, stepchild, or foster child for more than half the year, **and**
4. They must be able to claim the child as a dependent. (Exception for children of divorced or separated parents who meet certain rules)

# Filing Status: Head of Household

- The costs of keeping up a home include expenses such as rent, mortgage interest, real estate taxes, insurance on the home, repairs, utilities, and food eaten in the home.
  - Don't include the cost of clothing, education, medical treatment, vacations, life insurance, or transportation. Also, don't include the value of your services or those of a member of your household.
- Under proposed regulations, fair market rental value may be used (instead of the sum of payments for real estate taxes, mortgage interest expenses, and home insurance).
- Worksheet on page B-15 of Pub 4012 can be used to help determine if the client paid more than half the cost of keeping up the home.

# Filing Status: Head of Household

- Qualifying person **must** have lived in the taxpayer's home for more than half the year (at least 183 days).
- A qualifying child who is single (Whether or not the child can be claimed as a dependent)
- A married child who can be claimed as a dependent.
- A dependent parent.
  - A dependent parent does **not** have to reside with the taxpayer.
- A qualifying relative who lived with the taxpayer more than half the year, and is one of the relatives listed on the chart, and can be claimed as a dependent by the taxpayer.

# Filing Status: Qualifying Surviving Spouse (QSS)

For the two years following the year of death, the surviving spouse may be able to use the Qualifying Surviving Spouse filing status.

To qualify, the taxpayer **must**:

- Be entitled to file a joint return for the year the spouse died, regardless of whether the taxpayer actually filed a joint return that year.
- Have had a spouse who died in either of the two prior years (e.g., for tax year 2023, spouse died in either 2022 or 2021). The taxpayer must not remarry before the end of the current tax year.
- Have a child, stepchild, or adopted child who qualifies as the taxpayer's dependent for the year or would qualify as the taxpayer's dependent except that he or she does not meet the gross income test, or does not meet the joint return test, or except that the taxpayer may be claimed as a dependent of another taxpayer.
  - A foster child and a grandchild do not qualify.
- Live with this child in the taxpayer's home all year, except for temporary absences.
- Have paid more than half the cost of keeping up the home for the year.