*GETTING MARRIED*

# Getting Married? Let's Talk Taxes

**Taxes are different when you're married vs. single. Get up-to-speed now on the tax changes you'll see after tying the knot**.

*Getty Images*

Congratulations if you're getting (or got) married this year! I hope you and your new spouse have a long and wonderful life together. As you've probably guessed, things will be different in so many ways once the wedding and honeymoon are over. Many of the changes will be immediate and clear, but some aspects of the transition from single to married life will be quite complicated and might not become apparent for a while – like your taxes.

When you file your federal income tax return next year, be prepared for changes. The most obvious difference is that you and your new spouse can file just one tax return together, instead of each of you filing your own return (although you still have the option of filing two separate returns). Also expect some variation in the tax breaks available to you. You might qualify for some additional credits, deductions, or exclusions once you're married – but you might lose some, too. There are also a few things you can do before the end of the year that could cut your tax bill when you file your return next year, impact your tax refund, avoid problems with the IRS, or even save money for retirement.

But don't start feeling anxious or overwhelmed by all the potential twists and turns just yet. We'll walk you through the most common tax changes and requirements newlyweds face so you can prepare for them in advance. That way, when you're ready to work on your 2022 tax return next year, you'll already have a greater understanding of what to expect and how to deal with any marriage-related issues that may pop up.

**Tax Filing Status Options for Married Couples**

Literally the first thing you're asked to do when filling out a 1040 form is to pick your filing status. Married couples can either check the "married filing jointly" or "married filing separately" box – those are the only two choices in most cases. And even if you're only married for part of the year, you're considered married for the full year for tax purposes if you're married on the last day of the year.

Pick your filing status carefully, though. As you'll see, there are important consequences that go along with this decision. Most of the time, married couples are better off filing a joint return. But that's not always true. For some couples, filing separate returns is the better option. It all depends on your own unique set of circumstances.

Perhaps the biggest disadvantage to filing separate returns is that certain tax breaks will be unavailable or limited. For example, married couples filing separately generally can't claim the:

- Adoption credit or exclusion for employer-provided adoption benefits;
- American opportunity credit;
- Child and dependent care credit;
- Credit for the elderly or disabled;
- Earned income credit;
- Exclusion for interest on cashed series EE or I U.S. savings bonds used to pay for higher education expenses.
- Lifetime learning credit;
- Premium tax credit; and
- Student loan interest deduction.

(*Note: Married couples living apart may be able to claim some of these tax breaks if they meet the requirements for an exception.*)

In addition, your child tax credit could be lower, taxes on your Social Security benefits could be higher, and if one spouse itemizes instead of taking the standard deduction then both spouses must itemize. Depending on your situation, other drawbacks to filing separate returns are possible, too.

**When might filing separate returns be beneficial?** If one spouse has a relatively high income and the other spouse has a relatively low income, then filing separately might make sense. The spouse with the lower income would benefit from being in a lower tax bracket and might also qualify for some income-based tax breaks that otherwise wouldn't be available.

Filing separate returns also might be a good idea if one spouse has a lot of medical bills during the year. People who itemize can deduct their medical expenses, but only to the extent that the total amount exceeds 7.5% of their adjusted gross income. Meeting that AGI threshold is easier if only the income of the spouse with big medical bills is included on the tax return.

If one spouse doesn't want to be responsible for the other spouse's tax filings – as is the case with a joint return – then separate returns is the way to go. Filing separately can also prevent all or part of one spouse's tax refund being taken to pay for the other spouse's debts. And, again, there could be other reasons why married couples might want to file separate tax returns – it all depends on their own facts and circumstances.

**A "Marriage Penalty" Can Increase Your Tax Bill**

You've probably heard that married couples can sometimes pay more in tax than if they remained single. This can actually happen, and it's known as a "marriage penalty." Common sense tells us that, in order to keep things equal, dollar amounts in the tax code applicable to a married couple filing a joint return should be twice as much as the comparable amounts for single filers. After all, there are two taxpayers represented on a joint return, but only one on a single return. However, that's not always how it works. Sometimes an amount applied to joint filers is *less than twice* the amount for single filers – and this can create a marriage penalty.

For instance, one way a marriage penalty can be triggered is when, for any given tax rate, the minimum taxable income for the joint filers' tax bracket is less than twice the minimum amount for the single filers' bracket. (This type of marriage penalty is also more likely to occur if each spouse earns about the same amount each year.)

**Here's an example of how tax bracket ranges can create a marriage penalty:** Ron and Donna each have $150,000 of taxable income in 2017, which is the year they got married. For that tax year, the 28% tax bracket went from $91,900 to $191,650 for single filers, and from $153,100 to $233,350 for joint filers. Note that the minimum amount for joint filers was *less than twice* the minimum amount for single filers ($153,100 < $91,900 × 2). The next bracket – for the 33% tax rate – went from $191,650 to $416,700 for single filers, and from $233,350 to $416,700 for joint filers. (Again, the minimum amount for joint filers was *less than twice* the minimum amount for single filers.) When Ron and Donna combined their taxable income for a joint return ($300,000), they fell within the higher 33% bracket and owed $74,217 in tax. However, if Ron and Donna had still been single, they both would have ended up in the lower 28% bracket and owed $34,982 – for a combined tax bill of $69,964. However, since they're married and filed a joint return, Ron and Donna were hit with a marriage penalty of $4,253 ($74,217 – $69,964 = $4,253).

Before the 2017 tax reform law, this was a fairly common occurrence for higher-income couples. Now, however, only the top tax bracket (37% rate) contains this type of marriage penalty trap. As a result, only couples with a combined taxable income over $647,850 are at risk of suffering a penalty when filing their 2022 federal tax return. Unfortunately, though, the 2017 law is set to expire after 2025. So, unless Congress extends the current tax rate structure, more families will be hit with a marriage penalty beginning with the 2026 tax year.

Marriage penalties can also be triggered by other provisions in the tax code containing a threshold or other dollar amount applicable to joint filers that is less than twice the amount applicable to single filers. For example, the threshold for the highest capital gains tax rate for joint filers ($517,200) is less than twice the threshold amount for single filers ($459,750), which creates a marriage penalty for some couples. And those same families could be penalized again because the joint filer's AGI threshold ($250,000) for having to pay the 3.8% surtax on net investment income is also less than twice the threshold for single taxpayers ($200,000).

Elderly married couples face their own type of marriage penalties. For 2022, the additional standard deduction for two married people who are at least 65 years old is $2,800. However, two single 65-year-olds can each claim a $1,750 extra standard deduction, which adds up to $3,500 in total. The cut-off amounts for determining how much of your Social Security benefits are taxed can also create marriage penalties for seniors. That's because the various thresholds for joint filers are less than twice the amount for single people.

The $10,000 limit on the deduction for state and local taxes (a.k.a., the SALT deduction cap) penalizes married couples, too. Once you're married, you can't deduct more than $10,000 in state and local taxes (the limit is $5,000 for married people filing a separate return). However, both you and your loved one would each be able to deduct up to $10,000 – for a total of $20,000 – if you weren't married.

There are other places in the tax code where marriage penalties can pop up, including with the:

- Additional Medicare tax (payment threshold);
- Adoption credit and exclusion for employer-provided adoption benefits (phase-out threshold);
- Alternative minimum tax (exemption amount);
- Earned income tax credit (phase-out thresholds);
- Exclusion for Series EE and I bonds used for education (phase-out thresholds);
- IRA deduction (phase-out thresholds);
- Mortgage interest deduction (limit on loan amount); and
- Roth IRA contribution limits (income thresholds).

Be careful if these tax provisions affect you. I'm certainly not suggesting you call off the wedding because you may be hit with a marriage penalty. But when you walk down the aisle, have a plan in mind to address any potential marriage penalties you may face in the future.

**A "Marriage Bonus" Could Lower Your Taxes**

It's not all bad news for married couples. Depending on your situation, your federal income tax can also go *down* as a result of getting married. This is commonly called a "marriage bonus."

Theoretically, the tax brackets could trigger a marriage bonus if, for any given tax rate, the minimum taxable income for the joint filers' tax bracket is *more than twice* the minimum amount for the single filers' bracket. However, that doesn't happen with the current tax brackets, and it didn't happen before the 2017 law.

Nevertheless, a marriage bonus can still occur under the current tax brackets if one spouse makes considerably more money than the other (or if only one spouse has taxable income). When this does happen, some of the higher-income spouse's earnings are essentially pulled down to a lower bracket and taxed at a lower rate. That results in a lower overall tax bill for the couple.

**Here's an example of how unequal incomes can create a marriage bonus:** Dave and Sally are married in 2022. Sally has $250,000 of taxable income during the year, while Dave has $30,000. If they file a joint return, the combined taxable income of $280,000 lands them in the 24% bracket and results in a $54,871 tax bill. If they were still single, Sally would be in the 35% tax bracket and owe $61,253 in tax, while Dave would be in the 12% bracket and owe $3,395 in tax – for a combined total of $64,648 in taxes due. Because they're married, Dave and Sally get a marriage bonus of $9,777 ($64,648 – $54,871 = $9,777).

You might also benefit from being married if a larger tax break is available only if you file a joint return. For example, a married couple that sells their home can exclude up to $500,000 from the capital gains tax if they satisfy all the necessary requirements. However, a single person who sells a home can only exclude up to $250,000. So, if you own a house and are planning to sell it, you might want to wait until after the nuptials to put up a "for sale" sign on your front lawn.

### Check Your Tax Withholding After Getting Married

Since your tax bill could go up or down once you're married, it's a good idea to check your tax withholding as soon as possible after the wedding and make any necessary adjustments. When you file a joint tax return next year, you'll get a tax refund if the combined amount withheld from your and your spouse's pay in 2022 is more than the tax your family owes. Of course, if the amount withheld is less than the taxed owed, then you must pay the difference when you file your return – plus a penalty if the difference is above a certain amount. Ideally, the amount withheld and the amount you owe are pretty close. That way, you won't have to pay more at tax time, you'll avoid any underpayment penalties, and you won't be giving Uncle Sam an interest-free loan (which is essentially what happens if you have too much withheld).

It's easy to adjust your withholding so that it comes close to your expected tax liability as a married couple. Just complete a new Form W-4 and give it to your employer (check with your HR department to see exactly who should receive the form). Your employer must implement any change by the start of the first payroll period ending on or after the 30th day after you submit a new W-4 form. To help you determine if and/or how much to adjust your 2022 withholding, use the IRS's Tax Withholding Estimator.

If you're retired, check the withholding from your retirement accounts. Use Form W-4P to adjust withholding from periodic payments from a 401(k) plan, pension or traditional IRA. (Periodic payments are made at regular intervals for at least one year.) If you're receiving non-periodic payments, use Form W-4R. Submit these forms to the plan, pension or IRA administrator.
For Social Security benefits, use Form W-4V to request withholding at a rate of 7%, 10%, 12% or 22% (those are your only options).

### Saving for Retirement When You're Married

Speaking of retirement, how you save for retirement can change after you're married, too. As mentioned above, there are potential marriage penalties associated with the IRA deduction and Roth IRA contribution limits. Specifically, for 2022, if both spouses are covered by a retirement plan at work, each spouse's IRA deduction is phased-out if your AGI is between $109,000 and $129,000 – compared to $68,000 to $78,000 for single filers. If only one spouse is covered by an employer's plan, the phaseout range for contributions by the spouse not covered by a workplace plan is from $204,000 to $214,000. (If you're married, each spouse calculates their deduction separately.) As for the 2022 Roth IRA contribution limits, they phase out for married couples with an AGI of $204,000 to $214,000. For singles, it's $129,000 to $144,000.

There's some good news, though. For example, the maximum Saver's Credit, which incentivizes lower-income people to save for retirement, is doubled for married couples filing a joint return – from $1,000 to $2,000. For 2022, joint filers must have an AGI of $68,000 or less ($34,000 or less for single filers) to claim the credit.

Another perk helps spouses who are unemployed or don't make much money save for retirement. Normally, you must have earned income to contribute to an IRA, and your contributions can't exceed your total earned income for the year. However, under the "spousal IRA" rules, a spouse with earned income can contribute to an IRA for the other spouse who has little or no income as long as the total contributions to both spouses' IRAs don't exceed the couple's joint earned income (the IRA contribution limits applicable that year for each spouse also apply).

A person who inherits an IRA from a deceased spouse is also in a better position than other people who inherit an IRA. For most people who inherit an IRA, the inherited account must be drained within ten years of the original owner's death. That also means that you'll have to pay taxes on IRA funds within ten years. But the ten-year rule doesn't apply if the original owner was your spouse (it also doesn't apply if the beneficiary is a minor child of the account owner, disabled, chronically ill, or not more than ten years younger than the original IRA owner). As a result, you can stretch out withdrawals from the IRA – and tax payments – over your own lifetime at a pace that's up to you (hence the nickname "stretch IRAs"). A spouse can also roll the inherited IRA over to his or her own IRA instead of keeping it as a separate account.

**Change Your Records After Marriage**

There's a lot of paperwork to do after you get married. Your employer might need you to fill out some forms related to your benefits. If you change your name or move, that's a trip to the motor vehicle department to fill out more forms. Want to set up a joint bank account? Yep, there's a form for that, too. The list goes on and on.

And, of course, there are also a few forms you'll want to fill out for tax purposes (in addition to your regular tax return). For instance, let the IRS know if you're moving by filing **Form 8822**. If you're changing your name, there's a place on the form to record that, too.

If you're changing your name, you might already have requested a new Social Security card on your to-do list. But there's also a tax reason for doing this. When you file your tax return next year, the IRS is going to have problems processing your return and issuing a refund if the name on the return doesn't match the name in the Social Security Administration's records. Use SSA **Form SS-5** to apply for a new Social Security card. You'll also have to submit documentation to prove your identity, support the requested change, and show a reason for the name change.

If you buy health insurance through an Obamacare exchange (e.g., HealthCare.gov), make sure you let the exchange know that you got married. Why? Because it's a "change of circumstances" that could impact the qualification for and/or the amount of the premium tax credit. Advance payments of the credit could be affected, too. If you don't report the change and your advance payments are more than the credit you're ultimately allowed to claim, your refund will be reduced or the amount of tax you have to pay when you file your tax return will go up.

**State Taxes and Marriage**

Unless you live in a state with no income tax, getting married will affect your state tax return, too. Many states force you to use the same filing status on your state return that you use on your federal return, which makes the decision for your federal return even more important if you live on one of those states. A few states even let you split out income for each spouse on a joint state return, which could lower your state tax bill.

Tax bracket-based marriage penalties are more common under state tax laws than under federal law. You can also have marriage penalties baked into state tax breaks just like they are in the federal tax code. And, of course, marriage bonuses are possible on the state level, too.

If you submit a new W-4 to adjust your federal tax withholding, your employer should also adjust any state tax withholding that's required (local tax withholding might be necessary as well).

Please check with the state tax agency where you live to learn more about how your state taxes could change after getting married.

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