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Choosing an Income Tax Filing Status

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Selecting a filing status is one of the first decisions you'll make when you fill out your federal income tax return, so it's important to know the rules. And because you may have more than one option, you need to know the advantages and disadvantages of each. Making the right decision about your filing status can save money and prevent problems with the IRS down the road.

The five filing statuses and how they affect your tax liability

Your filing status is especially important because it determines, in part, the tax rate applied to your taxable income, the amount of your standard deduction, and the types of deductions and credits available. By choosing the right filing status, you can minimize your taxes.

The five filing statuses are single, married filing jointly, married filing separately, head of household, and qualifying widow(er) with dependent child. There are seven income tax brackets for 2022. Your tax rate depends on your filing status and the amount of your taxable income. For example, if you're single and your taxable income is more than $10,275 but not more than $41,775 (in 2022), it's taxed at a top rate of 12 percent. If you're a head of household filer, though, your taxable income can climb to $55,900 and still be taxed at a top rate of 12 percent. So, some filing statuses are more beneficial than others.

Although you'll generally want to choose whichever filing status minimizes your taxes, other considerations (such as a pending divorce) may also come into play.

You're single if you're unmarried or legally separated from your spouse on the last day of the year

This one's pretty straightforward. And, depending on your circumstances, it may be your only option. Your filing status is determined as of the last day of the tax year (December 31). To use the single status, you must be unmarried or separated from your spouse by either divorce or a written separate maintenance decree on the last day of the year.

Married filing jointly may result in tax savings for married couples

You may file jointly if, on the last day of the tax year, you are:

- Married and living together
- Married and living apart, but not legally separated under a divorce decree or separate maintenance agreement, or
- Separated under an interlocutory (i.e., not final) decree of divorce

Also, you are considered married for the entire tax year for filing status purposes if your spouse died during the tax year.

When filing jointly, you and your spouse combine your income, deductions, and credits. Filing jointly generally offers the most tax savings for married couples. For one thing, there are many credits that you can take if you file a joint return that you can't take if you file married filing separately. These include the child and dependent care credit, the adoption expense credit, the American

Opportunity credit (the Hope credit), and the Lifetime Learning credit.

Still, this filing status is not always the most advantageous. If your spouse owes certain debts (including defaulted student loans and unpaid child support), the IRS may divert any refund due on your joint tax return to the appropriate agency. To get your share of the refund, you'll have to file an injured spouse claim. You can avoid the hassle by filing a separate return.

You don't have to be separated to choose married filing separately

You and your spouse can choose to file separately if you're married as of the last day of the tax year. Here, you'd report only your own income and claim only your own deductions and credits. Filing separately may be wise if you want to be responsible only for your own tax. With a joint return, by comparison, each spouse is jointly and individually liable for the full amount of the tax due. So, if your spouse skips town, you'd be left holding the tax bag unless you qualified as an innocent spouse.

Filing separately might also be the best tax move if one spouse has significant medical expenses. Your ability to take this deduction is tied in to the level of your adjusted gross income (AGI). For example, medical expenses are generally deductible only if they exceed 7.5% of your AGI. By filing separately, the AGI for each spouse is reduced. Keep in mind that if you and your spouse file separately and your spouse itemizes deductions, you'll have to do the same.

Remember, though, that you won't qualify for certain credits (such as the child and dependent care tax credit) and can't take certain deductions if you file separately. For example, you cannot deduct qualified education loan interest if you're married, unless you file a joint return.

Head of household status offers certain income tax advantages

Those who qualify for the head of household filing status get special tax treatment. Not only are the tax rate thresholds higher for head of household filers than for single filers and married filing separately filers, but the standard deduction is larger as well. However, you'll have to satisfy the following requirements:

- Generally, you should be unmarried at the end of the year (unless you live apart from your spouse and meet certain tests)
- You must maintain a household for your child, dependent parent, or other qualifying dependent relative
- The household must be your home and generally must also be the main home of a qualifying relative for more than half of the year
- You must provide more than half the cost of maintaining the household
- You must be a U.S. citizen or resident alien for the entire tax year

Qualifying widow(er) with dependent child offers the advantages of a joint return

You may be able to select the qualifying widow(er) with dependent child filing status if your spouse died recently. This status allows you to use joint tax rates and offers the highest possible standard deduction, the one applicable to joint tax returns. To qualify, you must satisfy all of the following conditions:

- Your spouse died either last tax year or the tax year before that
- You qualified to file a joint return with your spouse for the year he or she died
- You have not remarried before the end of the tax year
- You have a qualifying dependent child
- You provide over half the cost of keeping up a home for yourself and your qualifying child

As you can see, choosing the correct filing status is not always easy. You might want to speak with a tax professional or consult IRS Publication 17 for more information.