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FOR IMMEDIATE RELEASE
Monday, Feb. 2, 2014

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Tax Planning Update for Same-Sex Couples

Since 2013, federal tax laws for married couples have applied to same-sex couples who are married in jurisdictions where same-sex marriage is legal, even if the couple lives in a jurisdiction that doesn't recognize same-sex marriage. As of press time, same-sex marriage is legal in 36 states and the District of Columbia. The Tennessee Society of CPAs addresses some of the tax planning issues facing the growing list of couples affected by these legal changes and offers timely advice.

Make the Most of Deductions

This is good advice for virtually any taxpayer, but it may take on new importance for some legally married same-sex couples. That's because like any married couple, they may face the "marriage penalty" that will hike their tax bill if both spouses earn about the same amount. If one spouse makes significantly more than the other, however, their joint tax bill may decline slightly after marriage. Couples who were married before the U.S. Supreme Court struck down the Defense of Marriage Act in 2013 may also want to consider amending eligible earlier returns if they are due a refund for those years. Your CPA can help you understand your situation and plan ahead to minimize your tax bill.

Grapple with State Tax Issues

For couples who got hitched in a state where same-sex marriage is legal but who are now living in states that do not recognize it, tax time can be particularly complicated. They may find themselves filing one federal tax return as a married couple filing jointly and two separate state returns as individuals, or preparing—but not submitting—two individual federal returns to help

in figuring out their state taxes. For these couples, it's important to understand the tax laws on same-sex marriage in their home state and how they may affect them.

Reconsider Estate Planning

The Supreme Court case that made same-sex marriage recognized at the federal level was actually a tax case, brought by a woman who had to pay hundreds of thousands of dollars in estate taxes when her spouse died, money she would not have owed if she had been part of a heterosexual married couple. Estate planning is an important consideration for any couple, and legally married same-sex couples should be aware of new opportunities on this front, particularly those who have accumulated valuable assets. Each spouse can now inherit an unlimited amount from the other tax free, like any other married couple.

Think about Home and Health

In planning your future together, it's important to take into account some of the other advantages of marriage. For example, owning investments jointly as a married couple gets easier and reaping the benefits of homeownership is less complicated because couples can take the mortgage deduction together on a joint return instead of splitting it between two individual returns. They can also qualify together to take the home sale exclusion, which can allow them to avoid taxes on up to \$500,000 of the gain on the sale of their principal residence. Other advantages include the potential to qualify for spousal health insurance and to avoid extra taxes for it.

Consult Your Local CPA

Same-sex couples face new financial planning opportunities and potential complications. As you work to address them, remember that your local CPA can help. Turn to him or her with all your financial questions.

About Money Management

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