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Getting Married Soon? Tax Considerations for Newlyweds

Article Highlights:

- Filing Status
- Deductions
- New Spouse's Past Liabilities
- Combining Incomes
- Healthcare Insurance
- Spousal IRA
- Capital Loss Limitations
- Impact on Parents' Returns
- Social Security Administration
- Internal Revenue Service
- U.S. Postal Service
- Withholding & Estimated Tax Payments
- Health Insurance Marketplace

You think planning a wedding ceremony is complicated? Wait till you see the possible tax issues involved. If you are getting married this year, there is a long list of things you need to be aware of and plan for before tying the knot that can have a significant impact on your taxes. And there are a number of tax-related actions you should take as soon as possible after marriage.

Considerations Before Marriage

1. Filing Status — For tax purposes, an individual's filing status is determined on the last day of the tax year. Thus, regardless of when you get married during the year, you and your new spouse will be treated as married for the entire year and, therefore, can no longer file as single individuals or use the head of household status as you may have done prior to this marriage. Your options are to file using the married joint status, combining your incomes and allowed deductions on one return, or to file two separate returns using the married filing separate status. The latter is not the same as the single status you may have used in the past and can include some negative tax implications. Filing separately in community property states (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, or Wisconsin) can additionally be complicated. Also, the terms of a prenuptial agreement, if you have one, can affect your filing status choice.

2. Deductions — The standard deduction for each year is inflation adjusted and for 2025 for a married couple is $30,000 and for a single individual is $15,000. So, if both of you have been filing as single and taking the standard deduction, there is no loss in deductions. However, if in past years one of you had enough deductions to itemize and the other took the standard deduction, after marriage you would either have to take the joint standard deduction or itemize, which might result in a loss of some amount of deductions. There could also be an overall reduction of the standard deduction if one or both of you previously filed as head of household.

3. New Spouse's Past Liabilities — If your new spouse owes back federal taxes, past state income tax liabilities or past-due child support or has unemployment income debts to a state, the IRS will apply your future joint refunds to pay those debts. If you are not responsible for your spouse's debt, you are entitled to request your portion of the refund back from the IRS by filing an injured spouse allocation form.

4. Combining Incomes — Individuals filing jointly must combine their incomes, and if both spouses are working, combining income can trigger a number of unpleasant surprises, as many tax benefits are eliminated or reduced for higher-income taxpayers. The following are some of the more frequently encountered issues created by higher incomes:

- Being pushed into a higher tax bracket.
- Causing capital gains to be taxed at higher rates.
- Reducing the childcare credit which begins to phase out when your combined incomes (MAGI) reach $400,000.
- The childcare credit may be reduced if either or both of you have a child and you both work, because a lower percentage of expenses applies as income increases.
- The possible loss or reduction of the earned income tax credit which applies to lower income individuals.
- Limiting the deductible IRA amount.
- Triggering a tax on net investment income that only applies to higher-income taxpayers.
- Causing Social Security income to be taxed.
- Reducing or eliminating medical itemized deductions.

Filing separately generally will not alleviate the aforementioned issues because the tax code includes provisions to prevent married taxpayers from circumventing the loss of tax benefits that apply to higher-income taxpayers by filing separately.

On the other hand, if only one spouse has income, filing jointly will generally result in a lower tax because of the lower joint tax brackets. In addition, some of the higher-income limitations that might have applied to an unmarried individual with the same amount of income may be reduced or eliminated on a joint return.

Filing as married but separate will generally result in a higher combined income tax for married taxpayers. The tax laws are written to prevent married taxpayers from filing separately to skirt around a limitation that would apply to them if they filed jointly. For instance, if a couple files separately, the tax code requires both to itemize their deductions if either does so, meaning that if one itemizes, the other cannot take the standard deduction. Another example relates to how a married couple's Social Security (SS) benefits are taxed: on a joint return, none of the SS income is taxed until half of the SS benefits plus other income exceeds $32,000. On a married-but-separate return, the taxable threshold is reduced to zero.

Aside from the amount of tax, another consideration that married couples need to be aware of when deciding on their filing status is that when married taxpayers file jointly, they become jointly and individually responsible (often referred to as "jointly and severally liable") for the tax and interest or penalty due on their returns. This is true even if they later divorce. When using the married-but-separate filing status, each spouse is only responsible for his or her own tax liability.

5. Healthcare Insurance - If either or both of you are obtaining health insurance through a government Marketplace, your combined incomes and change in family size could reduce the amount of the premium tax credit to which you would otherwise be entitled, requiring payback of some or all of the credit applied in advance to reduce your monthly premiums. More complicated yet, if either or both of you are included on your parent's' Marketplace policy, those insurance premiums must be allocated from the parents' return to your return.

6. Spousal IRA — Spousal IRAs are available for married taxpayers who file jointly where one spouse has little or no compensation; the deduction is limited to the smaller of 100% of the employed spouse's compensation or $7,000 (2025) for the spousal IRA. That permits a combined annual IRA contribution limit of up to $14,000 for 2025. For each spouse age 50 or older, the maximum increases by $1,000. However, the deduction for contributions to both spouses' IRAs may be limited if either spouse is covered by an employer's retirement plan.

7. Capital Loss Limitations — When filing as unmarried, each individual can deduct up to $3,000 of capital losses on their tax return for a possible combined total of $6,000, but a married couple is limited to a single $3,000.

8. Impact On Parents' Returns — If your parents have been claiming either of you as a dependent, they will generally lose that benefit. In addition, if you are in college and qualify for one of the education credits, those credits are only available on the return where your dependency applies. That generally means your parents will not be able to claim the education credits even if they paid the tuition.

9. Impact on State Return — Some states require taxpayers to use the same filing status on their state return as they did on the federal return. When deciding which filing status is more beneficial for you, you should also consider how your state return will be affected.

Things To Take Care of After Marriage:

1. Notify the Social Security Administration − Report any name change to the Social Security Administration so that your name and SSN will match when you file your next tax return. Informing the SSA of a name change is quite simple. The Social Security Administration provides an online site to accomplish this task. Your income tax refund may be delayed if it is discovered that your name and SSN don't match at the time your return is filed.

2. Notify the IRS - If you have a new address, you should notify the IRS by sending **Form 8822**, Change of Address.

3. Notify the U.S. Postal Service - You should also **notify the U.S. Postal Service** when you move so that any IRS or state tax agency correspondence can be forwarded.

4. Review Your Withholding and Estimated Tax Payments - If both you and your new spouse work, your combined income may place you in a higher tax bracket, and you may have an unpleasant surprise when preparing your return for the first year of your marriage. On the other hand, if only one of you works, filing jointly with your new spouse can provide a significant tax benefit, enabling the working spouse to reduce their withholding or estimated tax payments. In either case, it may be appropriate to review your withholding (W-4 status) and estimated tax payments, if any, to make sure that you are not going to be under-withheld and that you don't set yourself up to receive bad news for the next filing season. The IRS provides a **W-4 Webpage** that provides links to the form and a tax withholding calculator.

5. Notify the Marketplace — If you or your spouse has purchased health insurance through a government Marketplace, you must notify the Marketplace of your change in marital status. If you were included on a parent's health insurance policy through a Marketplace, then the parent must notify the Marketplace. Failure to notify the Marketplace can create tax-filing problems.

If you have any questions about the impact of your new marital status on your taxes, please call this office.

Market Jitters? Smart Tax Moves Boomers Should Be Thinking About Now

If you're near retirement — or already there — market dips hit differently.

When you're still in your 30s or 40s, a downturn is just a blip on a long timeline.
When you're in your 50s, 60s, or beyond?
It feels a lot more personal. A lot more urgent.

You're not just managing money anymore.
You're managing peace of mind.

Here's the good news:
Even when markets wobble, there are still smart, proactive moves you can make — especially when it comes to your taxes — to protect your retirement lifestyle.

And no, we're not talking about investment advice.
(You have enough people yelling about the stock market already.)

We're talking about **practical tax and planning strategies** you can control, no matter what Wall Street is doing.

1. Take Advantage of Tax-Loss Harvesting

If some of your investments have lost value, you might be able to use that to your advantage at tax time.

Tax-loss harvesting means selling investments at a loss to offset gains elsewhere, potentially lowering your overall tax bill.

Even if you're not selling everything, realizing some losses can:

- Offset capital gains (short-term or long-term)
- Reduce taxable income up to a certain limit
- Help you rebalance your portfolio without a huge tax hit

Important: this isn't about panic-selling.
It's about being strategic with what's already down — and turning a temporary setback into a real-world tax benefit.

2. Consider "Bunching" Your Deductions

Thanks to the higher standard deduction, many retirees don't itemize anymore.
Which means smaller deductions (like medical expenses or charitable gifts) often don't help much year to year.

But when economic uncertainty hits, **bunching** your deductions can make a big difference.

How it works:

- Instead of spreading charitable donations or big medical procedures over a few years...
- You *group* them into a single year to push your deductions higher than the standard deduction.

One "bunched" year = bigger write-offs = bigger tax savings.
The next year, you can go back to the standard deduction if it makes more sense.

3. Be Smart About Retirement Withdrawals

Down markets make withdrawal strategies even more important.

You don't want to sell investments at a low just to fund basic expenses.
But you also don't want to blindly pull from tax-deferred accounts without considering the tax hit.

Now is the time to work with a tax professional on:

- **Strategic withdrawals** that balance taxable, tax-deferred, and tax-free accounts
- **Required Minimum Distributions (RMDs)** planning if you're 73 or older
- **Minimizing spikes in taxable income** that could trigger higher Medicare premiums or other taxes

In short:
The order you withdraw money matters, especially when markets are shaky.

4. Keep an Eye on Roth Conversion Opportunities

Market downturns can actually create opportunities for **Roth conversions**.

When account values are lower, you can potentially convert more assets to a Roth IRA with a smaller tax bite.

The benefit?
Future withdrawals from Roth accounts are tax-free.

If you're near retirement, doing smaller, strategic conversions during down years can create more flexibility and lower taxes later.

But be careful:
Roth conversions impact taxable income now — so planning (not guessing) is critical.

5. Remember: Tax Planning Isn't Just for April 15

In an unpredictable economy, smart tax moves aren't about scrambling in March.

They're about **planning all year long**.

- Adjusting strategies if income drops or rises
- Timing deductions
- Managing your income streams carefully
- Being ready to pivot if new tax laws or incentives pop up

The goal:
Make your money last longer by legally reducing what you owe and keeping more of what you've earned.

Because you didn't spend decades building your savings just to let taxes take more than their share now.

Smart Moves Start with a Smart Plan

You deserve more than generic advice.

Our team works closely with Boomers and near-retirees to build customized tax plans that stay flexible — no matter what the markets or headlines are doing.

Contact us today and let's make sure your next moves are the right ones for you.

Summer Employment for Your Child

Article Highlights

- Higher Standard Deduction
- IRA Options
- Typical Summer Jobs for Young Adults
- Self-Employed Parent
- Employing Your Child
- Tax Benefits

Summer jobs for kids offer more than just extra cash—they provide valuable life lessons and skills that can benefit young individuals in their personal and professional lives. Whether they are saving up for a special purchase, gaining work experience, putting the money away for the future or simply looking to spend their time productively, summer jobs can be a transformative experience.

Summer is almost here, and your children may be looking for a summer job. The standard deduction for single individuals increased from $14,600 in 2024 to $15,000 in 2025, meaning your child can now make up to $15,000 from working without paying any income tax on their earnings.

In addition, they can contribute the lesser of $7,000 or their earned income to an IRA. If they contribute to a traditional IRA, they could earn up to $22,000 tax free, by combining the standard deduction and the maximum allowed deductible contribution to an IRA for 2025 of $7,000. However, looking forward to the future, a Roth IRA with its tax-free accumulation and distributions would be a better choice. But the contributions to a Roth IRA are not deductible.

Even if your child is reluctant to give up any of their hard-earned money from their summer or regular employment, if you have the financial resources, you could gift them the funds to make the IRA contribution, giving them a great start and hopefully a continuing incentive to save for retirement.

Examples of traditional summer and even some year-round part time jobs for young adults:

- **Fast Food Services** – Flipping burgers and conjuring up lattes and cappuccinos are iconic summer jobs and a quintessential entry-point into the workforce for many young individuals. Working at a fast-food chain can provide teenagers with valuable skills and experiences that serve as a strong foundation for future careers. The worker's employer will issue a Form W-2 that reports their year's wages and any income tax and FICA withheld. If the worker received tips, these may have already been included in the reported wages, but if not, then the tips will need to be reported separately on their tax return, so the worker should keep a record of the tips received.

- **Babysitting** - teaches responsibility and childcare skills. Kids can start by offering their services to neighbors or family friends, gradually building a reputation as a reliable care provider. It's essential to know basic first aid and undergo a safety course to gain the trust of parents. The income earned while babysitting may be taxed, but generally sitters don't receive W-2s from the parents who have hired them to tend to their children. Even so, the income may still be reportable, depending on the sitter's total income for the year.

- **Lawn Mowing and Gardening** - Lawn mowing and gardening are great ways for kids to earn money while enjoying the outdoors. These jobs teach important skills such as time management, work ethic, and basic business management. Kids working for themselves can offer package deals for regular services to maintain a steady stream of income. If the child is hired by a company that provides gardening services, the child's income should be reported on a Form W-2; otherwise, just as with a babysitter, the income may still be reportable, depending on the child's total earnings for the year.

- **Lifeguarding** - For older teens who are strong swimmers, lifeguarding at a community pool or beach can be an ideal summer job. It requires certification in CPR and first aid, which provides vital life-saving skills. The child should be treated as an employee and receive a W-2 form from the employer.

- **Pet Sitting and Dog Walking** - Animal lovers can turn their passion into a summer job by offering pet sitting and dog walking services. This job teaches responsibility and empathy towards animals while allowing kids to enjoy the company of pets. Earnings from these activities may be reportable and taxable, depending on the amount earned, and it is unlikely that the child will be issued a Form W-2.

- **Art and Craft Sales** - Those who have a talent for art and crafts can create and sell their product at local markets or online platforms. This job fosters creativity and teaches marketing and entrepreneurship skills. If the artist is doing this activity as a hobby, all of the sales will be reportable if they are required to file a tax return. If the child intends this to be a business, then only the excess of the sales amount over the cost of materials and supplies would be taxable. Of course, in either scenario if the child's standard deduction is greater than the income from their sales, none of this income will be taxable.

- **Online Tutoring** - Kids who excel in academics can offer online tutoring services to younger students. This job reinforces their own knowledge while helping them develop teaching and communication skills. The child should keep track of their earnings from these services, as they may be reportable depending on the child's total income for the year.

- **Social Media Management -** Teens who are adept at social media can offer management services to small businesses looking to expand their online presence. This can involve content creation, scheduling posts, and engaging with followers. If the teen is hired as an employee, the employer will issue a Form W-2 at the end of the year. The teen is "free-lancing" the earnings from this activity should be documented as they may need to be reported on the child's tax return.

- App or Game Development - For tech enthusiasts, creating apps or games can be both a learning experience and a profitable venture. Plenty of free resources and platforms are available to help kids get started with coding and development. Whether the child is doing this as a hobby or intending it to be a business and is being compensate for their time or expertise other than as an employee, the child should keep a record of their earnings as it may be taxable.

These are just a few examples of jobs typically available to young adults and the associated tax implications of earnings from these types of work.

Self-employed Parents Employing a Child - With vacation time just around the corner and employees heading out for their summer vacations, if you are self-employed, you might consider hiring your children to help out in your business. Financially, it makes more sense to keep the family employed rather than hiring strangers, provided, of course, that the family member is suitable for the job.

Rather than helping to support your children with your after-tax dollars, you can instead hire them in your business and pay them with tax-deductible dollars. Of course, the employment must be legitimate and the pay commensurate with the hours and the job worked. A reasonable salary paid to a child reduces the self-employment income and tax of the parents (business owners) by shifting income to the child.

Example: Let's say you are in the 24% tax bracket and own an unincorporated business. You hire your child (who has no investment income) and pay the child $16,000 for the year. You reduce your income by $16,000, which saves you $3,840 of income tax (24% of $16,000), and your child has a taxable income of $1,000, $16,000 less the $15,000 standard deduction, on which the tax is $100 (10% of $1,000).

If the business is unincorporated and the wages are paid to a child under age 18, the pay will not be subject to FICA (Social Security and Medicare taxes) since employment for FICA tax purposes doesn't include services performed by a child under the age of 18 while employed by a parent. Thus, the child will not be required to pay the employee's share of the FICA taxes, and the business won't have to pay its half either.

Example: Using the same information as the previous example, and assuming your business profits are $130,000, by paying your child $16,000, you not only reduce your self-employment income for income tax purposes, but you also reduce your self-employment tax (HI portion) by $429 (2.9% of $16,000 times the SE factor of 92.35%). But if your net profits for the year were less than the maximum SE income ($176,100 for 2025) that is subject to Social Security tax, then the savings would include the 12.4% Social Security portion in addition to the 2.9% HI portion.

A similar but more liberal exemption applies for FUTA, which exempts from federal unemployment tax the earnings paid to a child under age 21 while employed by his or her parent. The FICA and FUTA exemptions also apply if a child is employed by a partnership consisting solely of his or her parents. However, the exemptions do not apply to businesses that are incorporated or a partnership that includes non-parent partners. Even so, there's no extra cost to your business if you're paying a child for work that you would pay someone else to do anyway.

Retirement Plan Savings. Referring to our original example, if the child had a made a traditional IRA contribution of $7,000 the taxable income and the tax would zero. So, it might be appropriate to make a Roth IRA contribution instead, especially since the child has so many years before retirement and the future tax-free retirement benefits will far outweigh the current $100 savings. Of course, some children will not be thinking about retirement at their young age and may object to contributing to an IRA. If that is the case, perhaps you as the parent, or even the grandparents, can make a gift of the IRA contribution, which can grow to big bucks by the time the child reaches retirement age.

Benefits of Summer Jobs for Kids

- **Skill Development:** Summer jobs help children develop essential skills such as communication, teamwork, and problem-solving.
- **Financial Literacy:** Earning money teaches kids about budgeting, saving, and financial responsibility from a young age.
- **Work Ethic:** Holding a job instills a strong work ethic and the value of hard work.
- **Independence and Confidence:** Working outside the home encourages independence and boosts confidence.
- **Tax Implications Introduced:** A summer job may be the first time that a working child or young adult becomes aware of the tax system.

In conclusion, summer jobs provide a wealth of opportunities for kids to learn, grow, and earn. By exploring different options, they can find a job that suits their interests and skills, paving the way for future success.

If you have questions related to your child's employment or hiring your child in your business, please give this office a call.

Thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time.

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