TheStreet.com
https://www.thestreet.com/story/14002319/1/tax-planning-tips-for-same-sex-couples.html

Tax-Planning Tips for Same-Sex Couples

Gone are the days where the 'traditional' family reigns. With marriage equality's rise, gay and lesbian couples have a lot of financial considerations, especially when it comes to taxes.

Tracy Byrnes
Feb 14, 2017 4:24 PM EST

There is a reason that **Modern Family**, the ABC show about nontraditional families, is in its eighth season.
Not only is it funny; it's the new norm.
The so-called traditional family, with a mom, dad and 2.5 kids, is basically *nontraditional*.
"So much has changed, we actually changed the name of our practice," says **Janis Cowhey,** partner at the tax and accounting firm **Marcum** and co-leader of the newly named Modern Family & LGBT Services Practice Group.
And these days, the modern family actually may have more complicated **tax issues** than same-sex couples.
Thanks to the landmark case ***Obergefell v. Hodges***, decided back in June 2015, all states now are **required** to issue marriage licenses to same-sex couples and to recognize their marriages from other jurisdictions.
So now same-sex couples are considered married filing joint like the rest of the married folks. Thank goodness. So now that's easy.
Tax issues can occur, though, if the couple decides not to get married, but instead become domestic partners or be in a civil union.
The federal government doesn't recognize either of those situations as a legal marriage, says **Annette Nellen**, director of the graduate tax program at **San Jose State University**.
But some states do.
For instance, California considers domestic partners to be married. So the members of that couple would have to file their federal tax returns as single people but their state return as a married couple, says Nellen.
Given the complications, it is important to talk to an expert who knows your state.
And pay attention to your forms.
Let's say you were domestic partners and one of you was providing employer-sponsored health care to the other. The value of that coverage was included in the employee's gross income and reported on his W-2. But once you get married, it is no longer considered extra income, so make sure it's taken out of his W-2.
If it wasn't, don't be afraid to amend your tax return and get your money back.

Modern Family, Modern Issues

Blended families are everywhere, and while it's so great that everyone loves each other, don't be so quick to walk down the aisle.
Talk to a tax professional first, because there's no need to share the love with Uncle Sam too.
In some situations, you actually may be better off financially by not getting married.

For instance, some of your deductions may be limited if you combine your incomes.
Or if one of you has a college-bound kid, your ability to receive financial aid may diminish if your combined incomes are too high.
So think it through.
And you basically can simulate marriage if your documents are all in place, says Cowhey, who knows a couple who happily got divorced to save a ton in taxes.
So make sure your will, health care proxy and power of attorney all have your loved one in them. Same goes for the beneficiary selections on all retirement accounts.
You can also create your own version of pre-nuptial agreements.
Once you've done all that, your partner basically has all the rights of a spouse.

Quick Adoption Tip

While it sounds callous, use tax planning with the kids too. If there are kids from previous marriage and the new spouse wants to adopt them, consider doing that before you get married, suggest Cowhey.
You may get more of the adoption credit as a single person as opposed to a step-parent.
So talk to a professional before you get caught up in the wedding planning.
And while we all love a good party, you can commit your life to someone, even legally change your name, without giving Uncle Sam a piece of the pie.
Save that money for the honeymoon.