

August 2012

**Ask a trust officer:
Divorce and taxes**

DEAR TRUST OFFICER: Is there any tax significance to the difference between a divorce and an annulment?—SPLITTING UP

DEAR SPLITTING: There is a big difference, as far as the IRS is concerned, between divorce and annulment. An annulment has a retroactive effect; it means that the marriage never existed. As a result, the parties to the marriage never had the right to file their taxes jointly. A couple that married in November, filed their taxes jointly, then got an annulment the following May would have to refile their earlier returns as single taxpayers.

Marital status is determined on the last day of the tax year. If a divorce decree becomes effective in December, the couple may file their taxes as single taxpayers. If the decree doesn't become effective until January, they will either have to file as married filing separately (higher taxes than singles with similar income) or jointly, even though the marriage is over.

Do you have a question concerning wealth management or trusts? Send your inquiry to [trustofficer@bankname.com].

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