

THE TAX PICTURE

Tax Changes Often Linked To Life Changes (T)

(NAPSA)—If you are having a wedding reception, baby shower, graduation party or retirement celebration, you may want to talk to a tax professional.

That's because many believe that major changes in lifestyle often go hand in hand with changes in tax status. Some say if it's worth throwing a party for, it's worth checking with a tax professional.

To help, here are some tips on how to navigate the tax implications of several major life events.

Coupling and Uncoupling

When filing their tax returns, the newly married and newly unmarried need to know what tax breaks they may be entitled to, which is sometimes impacted by combined income. First of all, they need to know which filing status to select.

Taxpayers who are legally married by Dec. 31 can file either as married filing jointly or married filing separately. Generally, married taxpayers file a joint return because it is the most favorable filing status in most instances. However, filing separately can sometimes lower a tax bill. Couples should consult a tax professional to determine the status that best meets their situation.

Besides married taxpayers filing jointly or separately, the other filing statuses are single, head of household and qualifying widow(er).

Coming and Going

Whether someone is entering or exiting a taxpayer's life, the

impact on taxes can be tremendous; new eligibility for credits and deductions could mean more money to cover the costs of their new obligations.

Here are some examples of credits and exemptions from the experts at H&R Block:

- **Child Tax Credit**—\$1,000 maximum credit (based on income and filing status)

- **Dependent exemption** for taxpayers who can claim a qualifying child or qualifying relative as a dependent—\$3,650 in 2010 and \$3,700 in 2011. Taxpayers who support their parents, grown children or other family members may also be able to claim a dependent exemption for them.

- **Adoption Credit**—up to \$13,170 for 2010 and \$13,360 for 2011 can be claimed for qualified expenses. Plus, new for 2010 and 2011, the IRS will refund any amount of the credit that exceeds the adoptive parents' tax liability.

- **American Opportunity Credit**—a credit of up to \$2,500 per year for each of the first four years of college education for an eligible student. If the taxpayer does not qualify for the American Opportunity Credit, other education tax breaks may be available.

Major life events are causes for celebration when they occur and they could also mean celebrating a bigger tax refund. For more information about making sure tax returns reflect your commitments and lifestyle, visit www.hrblock.com or call (800) HRBLOCK.