

Tax & Estate Strategies for Married LGBTQ+ Couples

In this age of marriage equality, there are new possibilities.

Provided by DSA Financial Group

The 2015 *Obergefell v. Hodges* Supreme Court decision streamlined tax and estate strategizing for married LGBTQ+ couples. If you are filing a joint tax return for this year or are considering updating your estate strategy, here are some important things to remember.

Keep in mind, this article is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your tax, legal, and accounting professionals before modifying your tax strategy.

You can file jointly if you were married at any time this year. Whether you married on January 1st, June 8th, or December 31st, you can still file jointly as a married couple. Under federal tax law, your marital status on the final day of a year determines your filing status. This rule also applies to divorcing couples. Now that marriage equality is nationally recognized, filing your state taxes is much easier as well.¹

If you are newly married or have not considered filing jointly, remember that most married couples potentially benefit from filing jointly. For instance, if you have or want to have children, you will need to file jointly to qualify for the Child and Dependent Care Tax Credit. Filing jointly also makes you eligible for Lifetime Learning Credits and the American Opportunity Tax Credit.²

You can gift greater amounts to family and friends. Prior to the landmark 2015 Supreme Court ruling, LGBTQ+ spouses were stuck with the individual gift tax exclusion under federal estate tax law. As such, an LGBTQ+ couple could not pair their \$15,000-per-person allowances to make a gift of up to \$30,000 as a couple to another individual. But today, LGBTQ+ spouses can gift up to \$30,000 to as many individuals as they wish per year.³

You can take advantage of portability. Your \$11.7 million individual lifetime estate and gift tax exclusion may be adjusted upward for inflation in future years, but it will also be portable. Under the portability rules, when one spouse dies without fully using the lifetime estate and gift tax exclusion, the unused portion is conveyed to the surviving spouse's estate. To illustrate, if a spouse dies after using only \$2.1 million of the \$11.7 million lifetime exclusion, the surviving spouse ends up with a \$9.6 million lifetime exclusion.³

You have access to the unlimited marital deduction. The unlimited marital deduction is the basic deduction that allows one spouse to pass assets at death to a surviving spouse without incurring the federal estate tax.³

Marriage equality has made things so much simpler. The hassle and extra paperwork that some LGBTQ+ couples previously faced at tax time is now, happily, a thing of the past. Remember to check the tax laws in your state with the help of a tax or financial professional.

Raymond Dahlman may be reached at 281-724-8181, 8310 South Valley Hwy, Suite 300, Englewood, CO 80112 or r.dahlman@dsafinancialgroup.com.

www.dsafinancialgroup.com

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

Investment advisory services offered through DSA Financial Group, Inc., a registered investment adviser.

Citations

1. Internal Revenue Service, October 14, 2020
2. Internal Revenue Service, March 12, 2021
3. Internal Revenue Service, April 12, 2021