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EQUITABLE SOLUTIONS AND PROSPERITY PLANNING
Professional Guidance for Divorcing Individuals

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DID YOU KNOW?

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That actual physical custody of a dependent child determines Head of Household status?

The ability of either spouse to file as Head of Household can provide thousands of dollars in annual tax savings. In years prior to 2005, it was somewhat easy for both spouses to claim this tax-favored status as they saw the equal time shared with a child as qualification. Congress subsequently addressed that loophole and has imposed a tie-breaker provision when both parents split actual physical custody 50/50.

I've attached a Head of Household Flowchart that follows the Status eligibility criteria and addresses that provision along with the basic requirements of the regulation. There are other provisions that specify who a "qualifying person" is.

If a....	And...	Qualifying Person	Not Qualifying
Qualifying Child or Grandchild	He or she is single (whether or not you can claim the exemption)	X	
	He or she is <u>married</u> and you can claim the exemption	X	
	He or she is <u>married and</u> you cannot claim the dependency deduction)		X
Qualifying mother or father (see IRS pub. 504)	You can claim the exemption for him or her	X	
	You cannot claim the exemption for him or her		X

It is also possible that other relatives can qualify a spouse for Head of Household status; however they are too broad for this summary. The rules are outlined in IRS publication 504. The bottom line is that with proper analysis, planning, and document drafting, we can save clients thousands of dollars in taxes by qualifying them to use the Head of Household filing status.