

2010 DIVORCE QUIZ

1. T F IRS requires the PAYEE to show the PAYER's social security number on their tax return.
2. T F Penalty for failure to identify by social security number is \$25
3. T F You are considered unmarried for the entire year if you obtain a decree of annulment.
4. In the current tax year Jack and Jill obtained an annulment of their marriage because they had never even seen each other since the wedding five years ago. They must:
 - a) File as single individuals in the current tax year only
 - b) Amend prior three years returns to single
 - c) Amend prior three years returns to married filing separate
5. T F If unmarried, filing status is always single
6. T F If Jeff and Sue obtain a divorce in 2003 so that they can file as unmarried individuals and, at the time of the divorce, they intended to remarry each other in the next year, they must file as married individuals.
7. T F An interlocutory decree is a final decree.
8. T F You must file a joint return if you are considered married.
9. T F Under Oregon law, a divorce is not final for 60 days after decree.
10. T F If you file a joint return, you may later amend it to a married filing separate return to avoid the joint responsibility.
11. T F If you file married filing separately, you may, within 3 years statute of limitations, amend and change to joint return.
12. T F If joint return is filed, both spouses may be held separately liable for the entire tax and penalties even though income was earned by other spouse.

DIVORCE QUIZ

13. T F If filing married filing separate, each spouse is only responsible for their separate tax and penalties but they must use the same filing METHOD. (Standard or Itemized)
14. T F In community property states, if filing married filing separate, you must include only your separate income.
15. T F In most cases, on a married filing separate return, you can not take child care credit.
16. T F Earned income credit is not allowed for married filing separate filing status.
17. T F If taxpayer lived with spouse AT ANY TIME during the year, he (she) may NOT claim credit for elderly or disabled.
18. T F There is no base exclusion for social security benefits if married filing separate.
19. T F If your spouse omits any income from your joint return, you may be relieved of the additional tax and penalties if you can show that you did not know about the income, had no reason to know about it, and did not significantly benefit from the omitted income.
20. T F You may be relieved of additional tax and penalty under the innocent spouse rules if the liability is due to erroneous items, claims for deductions, and credits if the items apply to the other spouse and if certain conditions are met.
21. T F If tax is understated because of claiming a deduction, credit, or because of a basis error, the innocent spouse rule applies only if the additional tax, penalties, and interest are more than 10% of AGI if AGI was \$20,000 or less .
22. T F You may take an exemption for your spouse who files a separate return if you can show that you furnished over half of that person's support.

DIVORCE QUIZ

23. T F If you are legally unmarried, you may claim a spousal exemption for your ex-spouse if you can show that you furnished over one half of the ex-spouse's support for the year and the ex-spouse is not the dependent of another person.
24. T F If you are NOT legally separated (still married), you may claim your spouse as a dependent if all other qualifications are met.
25. T F An EX spouse who lived with you ALL year can qualify as a dependent.
26. T F If your custody agreement allows the other spouse custody of the child for five months out of the year, you can not qualify for Head of Household because the child was not a member of your household for the entire year.
27. T F To qualify for the special non-custodial parent rule, you must be legally divorced.
28. T F Under terms of the divorce, you have custody of your child for 10 months of the year. Your former spouse has custody for the other 2 months. You and your former spouse provided the child's total support. You are considered to have provided more than half the child's support.
29. Your aunt provides \$2,000 of the total of \$3,100 necessary to support your child for the year. You and your former spouse provide the balance of the support.
- a) You or your ex-spouse may claim the child
 - b) Your aunt may claim the child if all other conditions are met
 - c) Only the custodial parent may claim the child.

DIVORCE QUIZ

30. You were divorced on June 1. Your child's support for the year amounted to \$1200 of which you provided \$500, your former spouse \$400 and the child's grandparents \$300. NO multiple support agreement was entered into. Before the divorce, you and your former spouse had joint custody of the child. You had custody for the months of October - December. Your former spouse had custody for months of June through September. Absent any custodial release form:
- a) You may claim the child
 - b) Your ex spouse may claim the child
 - c) Your parents may claim the child
31. T F You may qualify under the special non-custodial parent rules if you meet all qualifications and provide the required support for child that is not yours and your ex-spouse's child but is a child by a former marriage (prior to the last one)
32. Under terms of your 1982 decree, your former spouse has custody of your child. The decree specifically states that you are entitled to the exemption. You provide at least \$600 in child support during the calendar year.
- a) You are considered to have furnished more than half of the child's support.
 - b) New law gives the exemption to the custodial parent if no custodial release form signed
 - c) You must determine if the amount you contributed is more than half of the support.
33. T F You were divorced in 1981. You and your former spouse provided \$2500 for the support of your child during the year, of which \$1,200 was provided by your former spouse, who has custody of the child and the remaining \$1,300 was provided by you. The decree of divorce is silent as to exemptions. Since this decree was before 1985, you may still claim the exemptions based on the \$1200 rule.
34. T F If one of the divorced parents remarries, the amount contributed by the new spouse is considered provided by the remarried spouse.
35. T F An EX spouse must be able to show that they provided over half of the support for the child before a custodial release form can be issued.

DIVORCE QUIZ

36. T F Noncustodial parent provides \$1200 for the child's support. This amount is considered as support provided by the noncustodial parent even if the \$1200 was actually spent on things other than support.
37. T F Under your divorce decree, you must pay \$400 per month to your former spouse for support of your two children. Last year you did not pay the full amount. You paid \$4,000 instead of \$4,800. This year, if you pay the \$4,800, the entire \$4,800 will be considered support you provided for the year.
38. T F In above, if you pay the \$800 you owe for the prior year (paid in current year) you will be considered to have provided \$5,600 for the current year.
39. T F If not determined by terms of decree or written agreement, the parent who has custody for the greater part of the year is considered to be the custodial parent.
40. T F Your child's's total support is \$1,000 and was provided by you and your spouse. (Apparently, this child does not eat if total is only \$1,000). You were separated in 1982 under a written agreement. Your spouse has custody of the child for the entire year but under the agreement you are to provide \$600 per year and you are entitled to the exemption. You provided \$550 for the support of the child during the current year and made up the \$50 in January of the following year. Neither of you can claim the child.
41. T F You are divorced. During the whole year, you and your child live with your mother in a house she owns. The fair rental value of the lodging provided by your mother for your child is \$1,000. The home provided by your mother is not included in the amount of support you provide.
42. T F Custodial release statements must be issued each year and attached to the return of the non-custodial parent.
43. T F Custodial release does not bar filing status, earned income credit, or child care credit if custodial parent is otherwise qualified.

DIVORCE QUIZ

44. T F In order to take a medical deduction (itemized) it must be incurred for taxpayer, spouse, or someone you could claim as a dependent except for failure to pass gross income test. Therefore, medical insurance premiums paid for a child of divorced parents can not be deducted by the parent who does not claim the dependent.
45. T F A custodial release does NOT bar the favorable filing status of head of household for custodial parent if otherwise qualified.
46. T F A custodial release prohibits the custodial parent from getting earned income credit because you must have a dependent to get earned income credit.
47. T F Child care credit can only be claimed by custodial parent.
48. T F Alimony is an adjusted gross income deduction
49. T F Payments made under interlocutory decree can not qualify as alimony since interlocutory decree is not a final decree.
50. Under your written separation agreement, your spouse lives rent-free in a home you own and you must pay the mortgage, real estate taxes, insurance, repairs and utilities for the home. You:
- a) May deduct the payments as alimony since it is for spouses benefit
 - b) You may not deduct the payments for mortgage and taxes as alimony.
 - c) You may deduct the value of the home as alimony.
51. Your divorce decree calls for you to pay former spouse \$200 per month as child support and \$150 a month as alimony. If you pay the full amount of \$4200 during the year you can deduct \$1800 as alimony. If you pay only \$3600 during the year you can:
- a) allocate to \$2400 as child support and deduct \$1200 as alimony
 - b) deduct \$1800 as alimony and \$1800 as child support
 - c) deduct no alimony because you did not pay the required amount.

DIVORCE QUIZ

52. Under divorce decree you must pay your former spouse's medical and dental expenses. If the expenses otherwise qualify:
- a) You may deduct the medical expenses as medical on itemized deductions.
 - b) you may deduct the medical expenses as alimony and former spouse must report as alimony but take no medical deduction since former spouse did not pay the medical bills.
 - c) You may deduct as alimony, former spouse must report as alimony received and former spouse may take the medical deduction subject to medical and itemized limits.
53. T F Under separation agreement, you must pay the real estate taxes, mortgage payments and insurance premiums on a home owned by your spouse. If they otherwise qualify, you can deduct the payments as alimony on your return and spouse must report as alimony income but may deduct the real estate taxes and mortgage interest if home qualifies as residence.
54. Under divorce decree you must make all the mortgage payments (principal and interest) on a jointly owned home until the home is sold, at which time profits from the sale will be split 50-50. You can:
- a) deduct the entire payment as alimony
 - b) deduct only half of the payment as alimony
 - c) deduct only the interest in full, as an itemized deduction
55. T F If home is owned as tenants by the entirety or joint with rights of survivorship payments for taxes are non deductible either as alimony or itemized deduction..
56. T F In September 1983, Fred and Jane executed a written separation agreement. In March of 1985 a decree of divorce was substituted for the written separation agreement. The decree of divorce did not change the terms for alimony payments. The decree is treated as executed before 1985.
57. T F Assume same as above except that the amount of the alimony was changed by the decree. The alimony payments are subject to rules for payments under instruments executed after 1984.

DIVORCE QUIZ

58. Bill must pay his former spouse \$10,000 in cash each year for 10 years. His decree states that payments will end upon former spouse's death.. Bill must also pay former spouse or former spouse's estate \$20,000 in cash each year for 10 years. Death of spouse would not terminate the payments under state law.
- a) Bill may deduct the \$10,000 annual payments as alimony but not the \$20,000 payments
 - b) All of the payments (\$10,000 and \$20,000) are deductible as alimony.
 - c) Bill may deduct the \$20,000 payments but not the \$10,000 payments.
59. Dick's divorce decree requires that he pay his former spouse \$30,000 annually. The payments will stop at the end of 6 years or upon former spouse's death, if earlier. Former spouse has custody of Dick's minor children. The decree provides that, if any child is still a minor at spouse's death, Dick must pay \$10,000 annually to a trust until the youngest child reaches the age of maturity. The trust income and corpus (principal) are to be used for the children's benefit.
- a) Dick may deduct the \$30,000 as alimony each year if spouse does not die.
 - b) Dick may only deduct \$20,000 each year as alimony
 - c) Dick may not deduct any of the payments as alimony because of the contingency related to the children.
60. Sally's divorce requires her to pay her former spouse \$30,000 annually. The payments will stop at the end of 15 years or upon the former spouse's death, if earlier. The decree provides that if her former spouse dies before the end of the 15 year period, she must pay the estate the difference between \$450,000 ($\$30,000 \times 15$) and the total amount paid up to that time.
- a) None of the payments qualify as alimony
 - b) Only the annual payments paid up to death are deductible as alimony.
 - c) All of the payments, regardless of when paid will qualify as alimony but must be spread over the 15 year period.

DIVORCE QUIZ

61. Alfred's 1984 divorce decree requires him to pay his former spouse \$24,000 in installments of \$200 a month for 120 months. The payments will stop if his former spouse dies or remarries.
- a) The payments qualify as periodic under pre 85 law
 - b) The payments do not qualify as alimony
 - c) The payments are not periodic because they are indefinite
62. Jeff must pay Jane (former spouse) \$400 a month for life for support of Jane and their child. The payment is to be reduced to \$300 upon the first of the following to happen: child's death, child's 22nd birthday, or child's marriage. This is a pre-85 instrument.
- a) Jeff may deduct all of the payments as alimony.
 - b) Jeff may not deduct any of the payments as alimony
 - c) Jeff may only deduct \$300 per month as alimony
63. Alex was required by a pre-85 instrument to make monthly alimony payments of \$500 per month. He bought his former spouse a commercial annuity contract paying \$500 per month.
- a) Alex must include the annuity payments in his income and deduct it as alimony
 - b) Alex may not deduct the annual payments as alimony
 - c) Alex is not required to report income and is not allowed an alimony deduction.
64. T F Post 1984 instruments - if alimony payments decrease or terminate during the first 3 calendar years you may be subject to recapture rules.
65. Using the worksheet for recapture - Cassie pays Eric the following amounts of alimony under a 2007 divorce decree:
- | | |
|-----------|----------|
| 2008..... | \$60,000 |
| 2009..... | \$40,000 |
| 2010..... | \$20,000 |
- Recapture alimony is:
- a) \$20,000
 - b) \$22,500
 - c) \$30,000

DIVORCE QUIZ

66. You own property with a fair market value of \$10,000 and an adjusted basis of \$1,000. You transfer the property in trust for the benefit of your former spouse. The trust did not assume any liabilities. The property is subject to a \$5,000 liability.
- a) You must recognize gain on the transfer of \$5,000
 - b) You must recognize gain on the transfer of \$4,000
 - c) You may recognize a loss of \$5,000
67. T F If your divorce decree is final by end of the tax year, you cannot deduct contributions to former spouse's IRA.
68. T F All taxable alimony received is treated as compensation for the IRA deduction limits. If not covered by employer plan, the recipient can contribute the lesser of the IRA contribution limit or total compensation (including alimony)
69. T F No gain or loss is recognized on a transfer between spouses or former spouses if incident to divorce.
70. T F If you received property before July 19, 1984 in exchange for your marital rights release, your basis in the property is fair market value as of time of receipt if no special elections are made.
71. T F Fees paid to an attorney, if separately stated, for getting and collecting alimony are deductible as itemized deduction subject to 2% limit.
72. T F Ding and Dong obtained a divorce the next year after they sold their home and postponed tax on the assumption that they would be building or buying a new home within the time limits. Ding reinvested in a new home but Dong did not. They must file amended JOINT return to report tax on Dong's share of the gain and Ding MUST sign the amended return.
73. T F If you file a joint estimated tax and make payments jointly and then file separate returns, you must split the estimated tax payments evenly.

DIVORCE QUIZ

74. George and Sharon were married throughout the year but did not live together at any time during the year. Both domiciles were in a community property state. They did not file a joint return or transfer any of their earned income between themselves.

	George	Sharon
Wages	\$20,000	\$22,000
Consulting business	5,000	
Partnership		10,000
Dividends from separate property	1,000	2,000
Interest from community property	<u>500</u>	<u>500</u>
Totals	\$26,500	\$34,500
	=====	=====

- a) They must each report \$30,500 on their separate returns
 - b) They must each report \$23,000 on their separate returns plus their separate consulting business and partnership amounts
 - c) They must report the \$26,500 (George) and the \$34,500 (Sharon)
75. Bud lives in Washington. He is separated and his spouse has no income. Under a written agreement he pays her \$12,000 of his \$20,000 total yearly community income. Under Washington state law, earnings of a spouse living separately and apart from the other spouse continue as community property. On the separate returns:
- a) Each reports \$10,000 income and no alimony
 - b) Each reports \$10,000 income and \$2,000 alimony (income for her and deduction for him).
 - c) Each reports \$10,000 of community income and she must also report \$2,000 alimony. He may deduct \$12,000 alimony payments.

76. T F Your home, in your divorce decree, was to be used as home for your ex-spouse and your children until the children were emancipated, at which time it was to be sold and proceeds split between you and your spouse. Since you did not live there during two of the last five years you may not exclude the gain on your portion.

DIVORCE QUIZ

77. T F In anticipation of the division of community property following divorce, a taxpayer received a lump sum distribution from a retirement plan and placed the funds into a trust account pending the court's division of property. A year later, the court issued a QDRO authorizing division of the funds. The distribution is still fully taxable to the taxpayer who received the lump sum distribution - no other recourse.
78. T F Smart and Not-so-Smart are divorced parents of two children age 5 and 7. Not-so-Smart has physical custody of both children for the entire year. Since she only had \$30,000 of income and Smart had \$50,000 of income, she agreed to sign a custodial release. She may still claim the new child tax credit.
79. T F Smart was also married to Silly before he married Not -So-Smart. They have twin children who both entered college this year. Smart talked Silly into signing a custodial release form also. Although Silly earned \$39,000 and she had savings, she furnished the education expenses for both the children, she can not take the Hope Credit because she signed the Custodial release form
80. In the case of Rodoni v Comr. 105 TC No. 3, 7/24/95, taxpayer was a participant in a qualified profit sharing plan. He received a lump sum distribution of the balance of his account in the plan on Feb. 5, 2010. He gave the proceeds to his wife, who used the funds to establish an IRA in her name within 60 days. The taxpayer's divorced on December 31, 2010 with a settlement agreement that she was to receive the community property interest from the plan.
- a) This was not a tax free rollover because it was not for benefit of taxpayer
 - b) Lump sum distribution did not qualify because it was not by reason of QDRO
 - c) Taxpayer Rodoni was liable for the 10% early withdrawal penalty and 15% excess distribution penalty
 - d) Taxpayer's spouse was liable for 6% tax on excess contributions to Ira
 - e) All of the above
 - f) None of the above
81. T F Bill and Pat were divorced in 2007. Their decree provided that Pat would live in their home with the children until the children were emancipated. At that time, they would sell the house and divide the proceeds. They sold the house in June 2010 for a \$600,000 gain. At the time of the sale, Bill and Pat were both single. They can each exclude \$250,000.

DIVORCE QUIZ

82. When Jeff and Linda were divorced last year, he didn't get an attorney. Linda had an attorney and they offered Jeff stock with a FMV of \$300,000 and a basis of \$50,000 in exchange for the house which had a FMV of \$300,000 and basis of \$50,000.
1. It was a fair and even trade
 2. Jeff was "taken" because he will have to pay tax on the \$250,000 gain on the stock while Linda can exclude the entire \$250,000 on the sale of the residence.
 3. Linda can only exclude \$125,000 of the gain after the divorce is final

END OF QUIZ

Fill out the answer sheet and fax or email ANSWER SHEET ONLY to

FAX TO: 1-866-755-2853

OR

EMAIL TO: tax-ed@tax-educators.com

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