ADAMY VALUATION

2027 DIVORCE TAX REFERENCE GUIDE

2027 Federal Tax Brackets & Rates, QBID Income Threshold/Phase-out, NIIT

Unmarried

Beg	End	Taxable	Marginal Rate	Tax	Cumulative Taxable	Cumulative Tax	Effective Rate	QBID [1]	3.8% NIIT [2]
$ -	$ 12,800	$ 12,800	10%	$ 1,280	$ 12,800	$ 1,280	10.0%	Full	No
12,801	52,025	39,224	12%	4,707	52,025	5,987	11.5%	Full	No
52,026	109,125	57,099	22%	12,562	109,125	18,549	17.0%	Full	No
109,126	208,325	99,199	24%	23,808	208,325	42,356	20.3%	Full	Yes; at 200K
208,326	264,550	56,224	32%	17,992	264,550	60,348	22.8%	Phase-Out*	Yes
264,551	283,300	18,749	35%	6,562	283,300	66,910	23.6%	Phase-Out*	Yes
283,301	661,375	378,074	35%	132,326	661,375	199,236	30.1%	Limited	Yes
661,376	1,000,000	338,624	37%	125,291	1,000,000	324,527	32.5%	Limited	Yes

* 2027 QBID Taxable income threshold begins at $208,300 and ends at $283,300

2027 Federal Tax Brackets & Rates, QBID Income Threshold/Phase-out, NIIT

Head of Household

Beg	End	Taxable	Marginal Rate	Tax	Cumulative Taxable	Cumulative Tax	Effective Rate	QBID [1]	3.8% NIIT [2]
$ -	$ 18,250	$ 18,250	10%	$ 1,825	$ 18,250	$ 1,825	10.0%	Full	No
18,251	69,650	51,399	12%	6,168	69,650	7,993	11.5%	Full	No
69,651	109,100	39,449	22%	8,679	109,100	16,672	15.3%	Full	No
109,101	208,300	99,199	24%	23,808	208,300	40,479	19.4%	Full	Yes; at 200K
208,301	264,550	56,249	32%	18,000	264,550	58,479	22.1%	Phase-Out*	Yes
264,551	283,300	18,749	35%	6,562	283,300	65,041	23.0%	Phase-Out*	Yes
283,301	661,350	378,049	35%	132,317	661,350	197,358	29.8%	Limited	Yes
661,351	1,000,000	338,649	37%	125,300	1,000,000	322,659	32.3%	Limited	Yes

* 2027 QBID Taxable income threshold begins at $208,300 and ends at $283,300

2027 Federal Tax Brackets & Rates, QBID Income Threshold/Phase-out, NIIT

Married Filing Joint

Beg	End	Taxable	Marginal Rate	Tax	Cumulative Taxable	Cumulative Tax	Effective Rate	QBID [1]	3.8% NIIT [2]
$ -	$ 25,600	$ 25,600	10%	$ 2,560	$ 25,600	$ 2,560	10.0%	Full	No
25,601	104,050	78,449	12%	9,414	104,050	11,974	11.5%	Full	No
104,051	218,250	114,199	22%	25,124	218,250	37,098	17.0%	Full	No
218,251	416,650	198,399	24%	47,616	416,650	84,713	20.3%	Full	Yes; at 250K
416,651	529,100	112,449	32%	35,984	529,100	120,697	22.8%	Phase-Out*	Yes
529,101	566,600	37,499	35%	13,125	566,600	133,822	23.6%	Phase-Out*	Yes
566,601	793,650	227,049	35%	79,467	793,650	213,289	26.9%	Limited	Yes
793,651	1,000,000	206,349	37%	76,349	1,000,000	289,638	29.0%	Limited	Yes

* 2027 QBID Taxable income threshold begins at $416,600 and ends at $566,600

Notes

[1] QBID - Qualified Business Income Deduction qualification based on taxable income

[2] 3.8% Net Investment Income Tax (NIIT) applies when Modified AGI = Unmarried > $200,000 | HOH > $200,000 | MFJ > $250,000

Dependency Exemptions and Child Tax Credits

	Age	Residence	Support
Dependency Exemption [1]	<19, or 24 if full-time student [2]	Child resides with the taxpayer for > one-half of the year. Exceptions include temporary absences due to education, illness, vacation, or military service.	Qualifying child cannot provide more than one-half of their own support for the year
Child Tax Credit [1]	<17		
Dependent Care Credit [3]	<13		
Tuition Credits or Deductions [1]	<19, or 24 if full-time student		
Earned Income Credit [4]	<19, or 24 if full-time student	Child must have the same principal place of abode in the U.S. as the taxpayer for > one-half of the year	Support test does not apply for EIC

Qualifying Child Relationship	Citizenship
Son or Daughter	A citizen or resident of the U.S.
Stepson or Stepdaughter	A citizen or resident of a country contiguous to the U.S.
Descendants of sons, daughters, stepsons, or stepdaughters	
Individuals whom are legally adopted or a foster child placed with the taxpayer by an authorized agency or by court decree, order or judgement	

[1] The exemption carries with it the right to use the child credit as well as tuition credits/deductions.

[2] No age limit for totally and permanently disabled persons.

[3] The dependent care credit is only available to the parent who has custody of the child for the greater part of the year. Execution of Form 8332 has no effect on the ability to claim the credit for child care expenses.

[4] Only the custodial parent can claim the earned income credit. The non-custodial parent would not pass the residence test.

2027 Child/Non-Child Credits

Child Credit (Dependents Age <17)	$2,300
Child Credit Refundable Amount	$1,800
Non-Child Credit [Non-Refundable] (Dependents Age 17+)	$500
Phase-Out Starting Point for Both Credits	$200,000 (Single) $200,000 (HOH) $400,000 (MFJ)

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Dependency Exemptions and the Treatments of Child Related Attributes in Divorce

Dependency Exemptions

- Custodial parent is entitled to the dependency exemption - IRC §152, Mahrer vs Commissioner, T.C. Memo 2003-85.
- Parents, together or separately, must provide at least one-half of the child's support.
- Two exceptions to the general rule that the custodial parent is entitled to the dependency exemption:

  (1) A multiple support agreement is in place - §152(d)(3).

  (2) The custodial parent relinquishes the rights to the exemption (either annually or permanently) - §152(e)(2)(A).
- Note: Divorced parents **are** allowed to trade exemptions back and forth using IRS form 8332.

Tiebreaker Rules

- If two or more taxpayers qualify to claim tax benefits related to a single qualifying child, a series of "tiebreaker" rules exist to determine who is eligible for the tax benefits:

  (a) If one individual is a parent and the other is not, the parent is entitled to the benefit.

  (b) If both taxpayers are parents, the parent with whom the qualifying child resided most during the year is the tiebreaker parent.

  (c) If the child resided with the parents equal time throughout the year, the parent with the greater AGI is entitled to the benefits.

  (d) If neither individual is a parent, the individual with the greater AGI is entitled to the benefits.

Head of Household Filing Status

- To qualify as Head of Household (HOH), a taxpayer must:

  (1) Be unmarried - you are considered unmarried if you were legally separated on December 31 or if your spouse did not live in your home for the last six-months of the year.

  (2) Pay more than one-half the cost of maintaining a household which is the principal domicile for a qualifying child or an individual that otherwise qualifies for a dependency exemption.

  (3) Have a qualifying child living in the home; Generally, a qualifying child must reside with the taxpayer for more than half the year.

  ** Overnight residency: The child generally must reside with the taxpayer for more than half the year, taking into account applicable temporary-absence rules.

  ** Equal parenting time: A higher AGI does not automatically establish HOH eligibility. The more-than-half-year residency requirement must still be satisfied.

Marital Residence

Federal Deductions for Mortgage Interest and Real Estate Taxes

In General: The joint owner who makes the payment is entitled to the deduction. If payments are made out of a joint account, there is a rebuttable presumption that the payment is made 50% by each party. Example: If Husband (H) pays 70% of the payment and Wife (W) pays 30%, the deductible portion of the payment is allocated in the same proportion.

In a Divorce Context: If payments are not made pursuant to a divorce or separation instrument - general rules apply.

If the home is jointly owned and payments are made directly to the mortgage by H, the non-occupant:	If the home is solely owned by W and H is still obligated on the mortgage:	If the home is solely owned by H (even though W may be living there with or without children of the marriage):
1/2 of the qualifying interest and real estate taxes are deductible by H.	The treatment of the interest deduction is the same as if jointly owned, provided a minor child of the marriage resides in the home with W.	If H makes the payments: H would deduct 100% of the mortgage interest and taxes.
1/2 of the qualifying interest and real estate taxes are deductible by W.	H cannot deduct any of the real estate taxes however, since he has no ownership interest.	If W makes the payments: W cannot deduct any of the real estate taxes however, since she has no ownership interest.

2027 Federal Long-term Capital Gain and Qualified Dividend Rates

Rate	Unmarried	Head of Household	Married Filing Joint
0%	$0 - $51,050	$0 - $68,350	$0 - $102,100
15%	51,051 - 563,200	68,351 - 598,400	102,101 - 633,600
20%	over 563,200	over 598,400	over 633,600

Qualified Business Income Deduction (QBID)

2027 Taxable Income	Service	Non-Service
< $416,600 (MFJ) < $208,300 (Others)	20% x QBI	20% x QBI
$416,600 - $566,600 (MFJ) $208,300 - $283,300 (Others)	Phase Out	Reductions may apply
> $566,600 (MFJ) > $283,300 (Others)	No QBID	QBID is the **lesser** of: (a) 20% x QBI or (b) greater of (1) W-2 Wages x 50% (2) 25% Wages + 2.5% of unadjusted asset basis

Note: After determining eligible QBI deduction above, an overall limitation applies where the deduction is equal to the LESSER OF:

(a) The combined "qualified business income" of the taxpayer, or

(b) 20% of the taxpayer's excess of taxable income minus the sum of any net capital gain

One Big Beautiful Bill - Highlights

A number of tax provisions from the 'One Big Beautiful Bill' were passed in July 2025. Some notable highlights include:

- The $10,000 cap on state and local tax deductions was temporarily increased to $40,000, with a phase-out for higher-income earners. The $10,000 cap is scheduled to revert back after 2029.
- Charity: Non-itemizers can now deduct charitable contributions “above the line,” and the deduction amounts have been increased and made permanent; for itemizers, only contributions that exceed 0.5% of AGI will be deductible.
- NEW: Temporary senior deduction for individuals over age 65. Income limitations apply. This deduction is set to expire at the end of 2028.
- NEW: Temporary tax deductions for tips, overtime pay, and certain vehicle loans. These deductions are set to expire at the end of 2028 and you don’t have to itemize your deductions. Income limitations apply.
- NEW: Trump Accounts are established for children born between 2025 through 2028. $1,000 is contributed by the government for each child and grows tax-free like an IRA.

Determining Income for Support for Business/Real Estate Owners

Common Tax Return Forms to Review and Taxes Applied

Primary Schedules	Description/Notes	FED	Self-Emp	NIIT	SIT	Local
Schedule C	Sole Proprietorship	X	X		X	X
Schedule E, p.1	Rental Property	X		X	X	X
Schedule E, p.2 (Schedule K-1)	Ownership interest in a Partnership or S-Corp (request all K-1s)					
S-Corp	Income/Distribution always pro-rata	X			X	X
Partnership - Active	Income/Distribution can be specific allocation	X	X		X	X
Partnership - Passive	Income/Distribution can be specific allocation	X		X	X	X
Schedule F	Farming	X			X	X

Key:

FED - Federal Income Tax
Self-Emp - Self-employment Tax (FICA)
NIIT - Net Investment Income Tax (High Income Taxpayers)
SIT - State Income Tax
Local - City Income Tax (Resident/Non-Resident)

Other Helpful Tax Forms:

W-2 - Wages & Tax Statement
Schedule D - Capital Gains & Losses (Carryover)
Form 4562, P.2 - Depreciation - Listed Property (Autos)
Form 8582 - Passive Activity Loss Limitations (Carryover)
Schedule B - Interest & Dividends
Form 4562 - Depreciation & Amort.
Schedule SE - Self-employment Tax