

2025 DIVORCE TAX REFERENCE GUIDE

2025 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
\$ -	\$ 11,925	\$ 11,925	10%	\$ 1,193	\$ 11,925	\$ 1,193	10.0%	Full	No
11,925	48,475	36,550	12%	4,386	48,475	5,579	11.5%	Full	No
48,475	103,350	54,875	22%	12,073	103,350	17,651	17.1%	Full	No
103,350	197,300	93,950	24%	22,548	197,300	40,199	20.4%	Full	No
197,300	247,300	50,000	32%	16,000	247,300	56,199	22.7%	Phase-Out*	Yes; at 200K
247,300	250,525	3,225	32%	1,032	250,525	57,231	22.8%	Phase-Out*	Yes
250,525	626,350	375,825	35%	131,539	626,350	188,770	30.1%	Limited	Yes
626,350	1,000,000	373,650	37%	138,251	1,000,000	327,020	32.7%	Limited	Yes

* 2025 QBID Taxable income threshold begins at \$197,300 and ends at \$247,300

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Head of Household

Beg	End	Taxable	Marginal Rate	Tax	Cumulative Taxable	Cumulative Tax	Effective Rate	QBID ¹	3.8% NIIT ²
\$ -	\$ 17,000	\$ 17,000	10%	\$ 1,700	\$ 17,000	\$ 1,700	10.0%	Full	No
17,000	64,850	47,850	12%	5,742	64,850	7,442	11.5%	Full	No
64,850	103,350	38,500	22%	8,470	103,350	15,912	15.4%	Full	No
103,350	197,300	93,950	24%	22,548	197,300	38,460	19.5%	Full	No
197,300	247,300	50,000	32%	16,000	247,300	54,460	22.0%	Phase-Out*	Yes; at 200K
247,300	250,525	3,225	32%	1,032	250,525	55,492	22.2%	Phase-Out*	Yes
250,525	626,350	375,825	35%	131,539	626,350	187,031	29.9%	Limited	Yes
626,350	1,000,000	373,650	37%	138,251	1,000,000	325,281	32.5%	Limited	Yes

* 2025 QBID Taxable income threshold begins at \$197,300 and ends at \$247,300

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Married Filing Joint

Beg	End	Taxable	Marginal Rate	Tax	Cumulative Taxable	Cumulative Tax	Effective Rate	QBID ¹	3.8% NIIT ²
\$ -	\$ 23,850	\$ 23,850	10%	\$ 2,385	\$ 23,850	\$ 2,385	10.0%	Full	No
23,850	96,950	73,100	12%	8,772	96,950	11,157	11.5%	Full	No
96,950	206,700	109,750	22%	24,145	206,700	35,302	17.1%	Full	No
206,700	394,600	187,900	24%	45,096	394,600	80,398	20.4%	Full	Yes; at 250K
394,600	494,600	100,000	32%	32,000	494,600	112,398	22.7%	Phase-Out*	Yes
494,600	501,050	6,450	32%	2,064	501,050	114,462	22.8%	Phase-Out*	Yes
501,050	751,600	250,550	35%	87,693	751,600	202,155	26.9%	Limited	Yes
751,600	1,000,000	248,400	37%	91,908	1,000,000	294,063	29.4%	Limited	Yes

* 2025 QBID Taxable income threshold begins at \$394,600 and ends at \$494,600

Notes

¹ QBID - Qualified Business Income Deduction qualification based on 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.

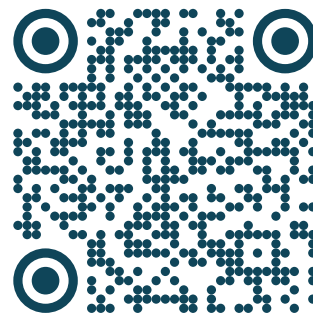
² No age limit for totally and permanently disabled persons.

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.

Child/Non-Child Credits

Child Credit (Dependents Age <17)	\$2,000
Child Credit Refundable Amount	\$1,700
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.
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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.
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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 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.
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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.

2025 Federal Long-term Capital Gain and Qualified Dividend Rates

Rate	Unmarried	Head of Household	Married Filing Joint
0%	0 - 48,350	0 - 64,750	0 - 96,700
15%	48,350 - 533,400	64,750 - 566,700	96,700 - 600,050
20%	over 533,400	over 566,700	over 600,050

Qualified Business Income Deduction (QBID)

2025 Taxable Income	Service	Non-Service
< \$394,600 (MFJ) < \$197,300 (Others)	20% x QBI	20% x QBI
\$394,600 - \$501,050 (MFJ) \$197,300 - \$250,500 (Others)	Phase Out	Reductions may apply
> \$501,050 (MFJ) > \$250,500 (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

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

Financial Statement Differences - Book v. Tax

Topic	Book	Tax
Accounting Basis of Financial Statements	If audited, accrual basis required	Cash basis allowed for firms with gross receipts up to \$25.0 million
Depreciation	Expensed over asset's economic life Economic life typically much longer than tax life	Deducted over asset's tax life Immediate deduction of 100% of asset's cost on personal property
Distributions to Owner(s)	Not reported on firm's income statement, only statement of cash flows	For pass-through entities (e.g., partnership), reported on K-1
Compensation	Fully Captured	Tax return reports only taxable compensation W-2s reports gross compensation
Interest Expense	Fully Captured	Deduction of portion of interest expense can be disallowed
Entertainment	Fully Captured	100% deductible for employee entertainment for recreational or social activities; Client & referral entertainment is nondeductible
Meals for Employees	Fully Captured	100% deductible for restaurants; otherwise 50%
Parking Fringe Benefit	Fully Captured	Expense is not deductible

TCJA Provisions Sunsetting at the End of 2025:

A number of tax provisions from the 2017 Tax Cuts and Jobs Act (TCJA) will expire at the end of 2025. Key changes include:

- Individual income tax rates will revert to 2017 levels, adjusted for inflation.
- The standard deduction will be cut roughly in half.
- The personal exemption will return.
- The cap on the state and local income Tax (SALT) deduction will dissolve.
- Indebtedness amounts related to mortgage and home equity loan interest will increase.
- The cash charitable contribution limit will decrease from 60% to 50% of AGI.
- The child tax credit (CTC) will be reduced.
- The 20% qualified business income deduction (QBID) for many pass-through business owners will disappear.
- The estate tax exemption will revert to \$5 million, adjusted for inflation.