# Income and deduction reporting for Married filing Separate Taxpayers

If you file a separate income tax return, you would report only your own income, deductions, exemptions, and credits on your separate return. State law must generally be examined to determine each spouse's share of income. A spouse is generally allowed a deduction only for those items actually paid by the spouse, but state law may determine who paid the item. In some cases, IRS and the courts provide specific rules on how income and deductions, etc., should be split on a separate return. Rules for splitting some of these items, including some of the more problematic items, where IRS and the courts have provided direction are discussed below.

***Personal services income.*** Income earned from personal services presents few problems. Each spouse reports the amount of income from wages, salaries, or other pay for services reported to the spouse on Form W-2 or Forms 1099.

***Joint bank accounts.*** Joint bank accounts can vary from state to state, bank to bank, and even from account to account in the same bank. Splitting these items on separate returns can raise complex problems. Each spouse reports interest to the extent of his or her share under local law. Thus, in the case of a true joint account (where each spouse has a right to one-half the deposited funds), each spouse reports half the income. In the case of a revocable account (where each spouse has a right to withdraw any or all of the funds) or an accommodation account (where one spouse provided all of the funds), each spouse would report interest in proportion to the amount of funds provided by the spouse.

***Jointly owned U.S. series EE savings bonds.*** If only one spouse purchased the savings bonds, the interest income is taxed to that spouse. If both spouses contributed to the purchase price, the interest is taxed to each spouse in proportion to his or her contribution.

***Other jointly owned property.*** Each spouse reports his or her share of the income or gain from the property. A spouse's share of income or gain from jointly owned property may be difficult to determine since state law determines the various forms of joint ownership, and each spouse's right to share in the income from the property is also determined under state law. As a general rule, each spouse reports one-half the income or gain from the property. But this is not always the case. For example, under the law of some states income from property held as tenants by the entirety (a form of joint tenancy available only to a husband and wife) belongs to the husband, and thus all of the income would be taxed to him.

***Exemptions.*** You may claim an exemption for your spouse on a separate return only if your spouse had no gross income and was not a dependent of another taxpayer. You may claim an exemption for any dependent for whom you meet the regular dependency tests.

***Medical expenses.*** Medical expenses paid out of a joint checking account are presumed to be paid equally by each spouse. But this presumption may be rebutted, and one spouse can deduct all of the expenses paid for medical care on a separate return if the expenses are shown to be paid by that spouse alone.

***Mortgage interest and real estate taxes on jointly owned property.*** If both spouses are jointly and severally liable for the mortgage debt and for taxes on the property, each spouse is entitled to deduct the interest and taxes that he or she pays. But the spouse claiming the deduction must prove that he or she actually paid the interest or taxes.

***Casualty losses.*** A spouse can only deduct half the loss to jointly owned property on a separate return, even if he or she pays all of the cost to repair the property.

In addition to the above items, there are many other items of income and deductions for which there are no specific rules. Each of these items must be examined separately, taking into account the applicable state law and the particular facts, to determine how they should be split on separate returns.