XLP

Chronicles

KDVA AND XLP ARE PROUD PARTNERS

XLP Managing Member Milt Johns gave a presentation at the KDVA Reunion Conference in Washington, DC about Veteran Owned Business considerations. XLP provides legal support to KDVA in support of its mission to enhance the Republic of Korea – United States Alliance by advocating for the Alliance and supporting the people who built and serve the Alliance.

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LITIGATION TIPS FROM JILL HELWIG

A recruiter has contacted you with an enticing job opportunity. You meet with the employer, things go well, and you are offered the job. You sign the offer letter and are then asked to complete the electronic on-boarding paperwork. You click through the documents, accepting everything and believe all is well. A few years later, you are presented with an exciting new job opportunity. You give notice only to be advised by your current employer that your new employment is in violation of the non-compete agreement you signed during the onboarding process. You take the new job and are promptly sued.

A client recently avoided this scenario by seeking legal counsel after reviewing the non-compete agreement that was embedded within the onboarding documentation. With commonsense and legal assistance, she did everything right to avoid future litigation.

Best practice to avoid litigation over a non-compete:

- Read everything you are required to accept and/or sign.
- Ask questions about the terms in the documents.
- Every term is enforceable.
- Don’t be afraid to question or push back on a “non-negotiable” agreement.
- Be ready to walk away if the terms are too restrictive and the employer won’t negotiate.
- Secure legal review of employment documents to ensure you understand your rights and obligations.

LAKITA'S TAX TIME

Divorce & Taxes
7 things you should know

The last thing you need after a divorce is another problem to deal with. So, to reduce your anxiety level, **here are 7 important topics to keep in mind during your return to filing taxes as a single person**.

1. **Your Filing Status**

Your marital status as of December 31 controls your filing status. So, if you split up but aren't officially divorced before the end of the year, you can still file a joint return or choose the married-filing-separately status. The custodial parent can also file as head of household if you lived apart from your spouse for the last six months of the year, filed separate returns, had a dependent living with you for more than half of the year, and paid more than half of the upkeep for your home.

Once you're divorced, you can file as a head of household or as a single taxpayer.

LAKITA'S TAX TIME CONTINUED

2. **Alimony Payments**

You can deduct alimony you pay to an ex-spouse if the divorce agreement was in place before the end of 2018. Otherwise, it's not deductible or taxable to the recipient. You also lose the deduction if the agreement is changed after 2018 to exclude the alimony from your former spouse's income.

3. **Credits for Children**

As a general rule, only the custodial parent (the one the kids live with most of the year) can claim the child tax credit/credit for other dependents or claim the child for the purposes of the earned income tax credit, the American Opportunity Tax Credit or the childcare credit.

The noncustodial parent cannot claim head of household status, but may claim the child tax credit if the other parent signs a waiver agreeing not to claim the exemption. Form 8332 must accompany the noncustodial parent's return each year he or she claims the credits for the child.

4. **Medical Expenses for Children**

If you continue to pay a child's medical bills after the divorce, you can include those costs in your medical-expense deductions even if your ex-spouse has custody of the child. Medical expenses are deductible only to the extent they exceed 7.5% of your adjusted gross income (AGI).

5. **Asset Transfer**

When a divorce settlement shifts property from one spouse to another, the recipient doesn't pay tax on that transfer. But it's important to remember that the property's tax basis shifts as well. Thus, if you get property from your ex in the divorce and later sell it, you will pay capital gains tax on all the appreciation prior to the sale.

6. **Sale of a Home**

If you sell your home as a result of your divorce, there are several things to keep in mind. If you sell your home prior to divorce while you're still filing taxes jointly, you can be exempt from up to a $500,000 gain on the sale of the home ($250,000 if filing separately).

This exemption is only for the primary home that you have lived in for at least two of the past five years. **If the two-year tests haven't been met, sales after a divorce can still qualify for a reduced exclusion.** The limit on tax-free profit depends on the portion of the two-year period for which the home was owned and occupied; it is prorated.

7. **IRA Contributions**

Generally, a taxpayer must have earned income from a job or self-employment to qualify to contribute to an IRA. However, taxable alimony counts as compensation for the purposes of making IRA contributions.

********Don’t forget to update your W-4 at work to reflect your new marital status. ********

If you have any questions or would like to schedule a consultation, please feel free to contact me at Lfoster@xlppllc.com or 804-480-4330.