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# **Prudent Portfolio: Economic and Personal Impacts of New York's Same-Sex Marriage Laws**

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**By Kevin Peters**



Kevin Peters

Legalization of same-sex marriage in New York State has created a significant boost to the overall economy, but same-sex couples should take a close look at their personal finances to ensure that they are properly positioned to take full advantage of the legislation.

New York became the sixth state to legalize same-sex marriage when the Marriage Equality Act took effect on July 24, 2011. As a result, New York City saw a significant and well-documented boost in revenues in the first year. City officials reported issuing more than 8,200 same-sex marriage licenses, representing more than 10 percent of the 75,000 licenses issued in the city in the ensuing 12 months.

Moreover, the city received approximately \$16 million in tax revenue alone, not including income from wedding receptions at hotels, restaurants and similar businesses, which collectively became the biggest source of revenue resulting from same-sex marriages.

In addition to boosting the economy, elimination of Section 3 of the Defense of Marriage Act (DOMA) that defined marriage as between a man and a woman enabled several states to legalize gay marriage and has leveled the financial playing field for same-sex couples.

The end of Section 3 of DOMA, for instance, means that same-sex partners will be treated the same as heterosexual partners in the event one spouse dies. The surviving partner now has the ability to inherit certain assets and will be in the same tax status as heterosexual couples.

Same-sex married couples in New York may want to consider filing joint income tax returns. A joint return does not guarantee that federal income taxes will be reduced, however. For instance, when the amount each partner earns is high their taxes could increase depending on other family variables. Reduced income taxes often result when there is wide gap in the incomes between the partners.

It should be noted, however, that there are many variables at work and determining the best approach to filing income tax returns may not be a quick decision. Ultimately, the possibility of a reduction in federal income taxes does exist and it is worth a thorough investigation to determine if filing jointly produces the desired financial returns.

In addition to changes in the tax status, there are many other financial issues that will arise as a result of the state government recognizing same-sex marriage. One of the timelier subjects is the issue of health care coverage, whether individual or employer provided. The manner in which the federal government approaches taxation for health care is one example that should be reviewed with an eye toward revision.

Inheritance issues are a major area of concern for same-sex couples. It's important to note that same-sex spouses can now be exempted from federal estate taxes that previously applied only to heterosexual couples. Federal gift taxes also would be eased for couples living in states such as New York where marriage has been made equal.

But same-sex couples should be aware that even within the federal government not all agencies apply the same eligibility tests. The U.S. Citizenship and Immigration Services, the IRS and the U.S. Office of Personnel Management look to the place where the marriage was performed to determine whether same-sex married couples are eligible for benefits. However, some federal agencies, such as the Social Security Administration, only recognize marriages that are valid in where the couple lives for the purposes of granting federal benefits.

Again, these are areas where couples should review their finances and determine how the legal changes affect them in both the state and federal arenas. Prudent same-sex couples should consider consulting with professionals such as financial advisers and estate planners to determine how best to approach their finances.

There have been major changes in a relatively short period of time in the world of finance as it relates to same-sex marriage. Many of these changes can be beneficial to same-sex couples but it is incumbent upon those couples to undertake a comprehensive review of their finances, to ensure that no relevant changes are overlooked and no new opportunities are missed.

It is exactly the same advice that any sound financial planner or tax attorney would give to his or her heterosexual clients.

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