

Divorce Worksheet

DISCOVERY CHECKLIST: GET TO THE TRUTH

One of the biggest concerns divorcing spouses have in a property division dispute is whether all of the parties' assets are being considered in the inventory of the estate. Make sure that you document income, assets and debts. Not reviewing these could have negative consequences down the road if either is alleged to have hidden assets. Here is a list of discovery points you should be considering:

1. Business tax returns
2. Payroll records from closely-held business interests
3. Loan applications
4. Tax refunds
5. Overpayment of state or federal taxes – credited for future tax years and then refunded
6. Wills and trusts
7. Appraisals
8. Listing of safe-deposit box contents
9. Listing of debts
10. Listing of property sold or gifted in three prior years
11. Partnership records
12. Specific tax information:
 - A. An entry on the alternative minimum tax line (line 5 on the 1040) might indicate that the taxpayer may have tax preference and can lead to the discovery of hidden assets.
 - B. Form 6521 contains the alternative minimum tax calculation. This calculation was designed to prevent taxpayers from using shelters and credits to reduce or eliminate tax that would normally be due by providing for a separate taxing method, creating tax preferences.
 - C. Form 4797 will indicate the sale amount of a business item and the gain or loss from the sale of business assets.
 - D. State and local income tax may reflect income generated in another state or income generated by assets located in another state.
 - E. Real estate and personal property taxes: Are taxes being paid on properties that are not listed on an asset statement?
 - F. Interest paid, mortgage interest and points reported on Schedule A: Deduction of interest reflects the existence of loans. Such deductions may lead to the disposition of loan proceeds.
 - G. Property used to earn income or for business purpose appears on Schedule A.
 - H. Investment interest may reflect existence of a liability to an investment or margin account.
 - I. Casualty and theft loss: If a loss is reported, inquire into the disposition of the insurance proceeds.
 - J. Schedule B, Interest and Dividend Income, Lines 11 and 12: An entry on these lines may be the only clue about what is commonly called a "foreign asset protection trust."
 - K. Schedule C, Profit or Loss from Business: This schedule could reveal a side business that is used to fund a Keogh plan to increase retirement plan deductions.
 - L. Schedule D, Capital Gains and Losses: Reflects the sale of property for gain or loss: Trace the proceeds from any sale.
 - M. Schedule E, Supplemental Income and Loss: Shows rental properties and income from partnerships, S corporations, estates and trusts.