



Information Release

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Divorce and Taxes

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Divorce and the Tax Consequences of Payments

West Allis, WI – Determining the tax consequences that can arise during a divorce or marital separation can be vital for the financial protection and well-being of you and your family. That's why it's important to understand applicable tax laws before making any major decisions.

Often most confusing during the divorce process is determining whether a payment should be considered alimony or child support. Generally, alimony is the amount paid to a spouse for his or her living expenses, education, health or life insurance, property taxes, or mortgage payment. Alimony is not for providing child support. The person receiving alimony must pay taxes on the alimony received during in the year, and the paying spouse may deduct the amount paid during the year, provided the payment meets all of the following conditions:

- The payment is made in a cash form, which includes checks, bank deposits, etc. Payments in the form of such things as bonds, stocks, money market shares or actual objects are not considered alimony for tax purposes.
- The payment is made as the result of a legal separation agreement or divorce decree.
- The spouses do not live in the same household at the time the payment is made.
- The divorce decree does not designate the payment as nontaxable to the recipient or nondeductible to the payer.
- There can be no liability for payments after the death of the receiving spouse.

Child support, unlike alimony, is not taxable to the spouse who received the payment, nor is it tax deductible by the spouse who makes the payment. A divorce decree may specifically call the payment "alimony," but the payment may have the "characteristics" of child support. One characteristic of a child support payment might be the designation in the divorce document that the payment changes or terminates at certain milestones in the child's life.



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Tax challenges during and following a divorce are common, but they can be minimized with some knowledge about tax laws and IRS procedures. Financial planning is an important part of the divorce process. This article contains general tax information for taxpayers. Each tax situation may be different, do not rely upon this information as your sole source of authority. Contact Keana Spencer at Spencer Accounting Group, LLC for professional advice for your tax situation. [Name] is an expert who keeps current on tax law changes as well as a member of the National Association of Tax Professionals. Visit www.spenceraccounting.com for contact information.

