

# Alimony research paper example

[Economics](#), [Money](#)



Alimony is a type of monetary payment that is made by spouses to each other or made by one partner to the other as a result of divorce or separation (Doskow, 2015). It is also crucial to note that alimony is also known as spousal maintenance or spousal support. The main objective of alimony is to aid the low-earning marriage partner to have the same standards of living as he or she used to have after separation. Alimony is a tax deductible expense that one can take advantage in order to reduce the tax payable at the end of a given period of time. In order for the alimony to qualify as tax deductible, there are certain IRS rules that the paying spouse must fulfill in order to deduct alimony expenses when filing tax reports. However, the recipient of the alimony is supposed to report the amount received as an income. In most cases, this leads to tax saving for the two spouses involved in the alimony transactions, given that income is shifted from the higher tax bracket to lower tax bracket, as a result of transferring alimony payments from the spouse who earns a high income to the one who earns lower income (Doskow, 2015). In the process, the higher income earning spouse ends up saving a lot of money that would have been paid to the tax authorities. It is important to understand that in most cases the recipient tax bracket does not change as a result of receiving alimony. In order to understand as a spouse who are separating how to use alimony as an individual strategy of reducing the taxes payable to the IRS, this paper will look at the rules/ laws that one should fulfill in order to benefit from alimony as a deductible expense during tax payments. Additionally, the paper will look at the support payments made to a spouse that do not qualify as an alimony.

It is important to note that there are different types of payments that are made by separated spouses to each other that do not qualify as alimony. Firstly, any payment that one makes to his or her spouse as a type of child support under IRS laws does not qualify as an alimony. Secondly, payments that are made to a spouse as settlement for property that they decided to divide is not classified as an alimony. On the other hand, payments that are made on a voluntary basis are not categorized as alimony. Additionally, payments that one make for purposes of using the property of the separated spouse cannot qualify as alimony. Thus, when planning to make alimony as individual strategy of saving on payable taxes it is important to ensure that you avoid making payments to spouse in all the forms mentioned in this section as no tax deduction benefits will be realized.

As mentioned earlier, IRS allow taxpayers to deduct alimony payments from tax payable. In order to qualify to benefit from alimony as a form of tax deductible a number of conditions must be met by the taxpayer in question. One of the IRS rules that must be fulfilled by a taxpayer who intends to claim alimony as a tax deduction is that the alimony payments are supposed to make inform of check or cash. The cash payments are supposed to act as evidence that the taxpayer gives his or her spouse alimony worth certain amount of money. It is impossible to ascertain the exact amount that a person receives inform of alimony unless the check or cash is used as the exact figures will be indicated. For instance, IRS does not allow some to claim tax deductions on alimony given inform of a car. This means that any spouse who earns more and is giving his or her spouse whom he/she has divorced alimony, it would be better to give the alimony in check or cash

form in order to save payable tax at the end of the day. A mistake that many spouses who give alimony make is that they give the alimony in form of houses and thereby, ending up losing an opportunity to reduce the taxes that they would have otherwise paid if they paid the alimony in cash.

The second rule is that one is not supposed to characterize the alimony as a form of child support or a section of a settlement involving a given property.

Under the IRS, law payments that are made for child support are not tax deductible. Therefore, alimony as an individual strategy of saving on tax payable should not be in any way be tied to support that a spouse gives to his or her spouse for purposes of supporting their children. For instance, in the case where the spouses agree that the alimony will end in the situation when a child you had together attain the adult age, then the alimony payer will be at risk of having the payment made being classified as a form of child support; thus, making them nondeductible during the tax payment process.

Making this mistake cost many taxpayers huge amounts of money that otherwise they would have saved had they sought the advice of a tax expert.

It is crucial to understand that when one make payments until the child attain a certain age, all deductions made in the past, tend to be disallowed and this would mean the taxpayer owes tax authorities taxes. Alimony should also be separated from any form property division that spouses might decide to have during the divorce process. Property division payments are not treated as tax deductibles, as one has to make payments on them as they are treated as a form of income that one generates.

The third rule that a taxpayer should fulfill in order to claim alimony as a tax deduction is to ensure that he or she specify that he/she will make alimony

payments until the other spouse dies (Scinto, 2011). This aid in ensuring that the IRS does not classify the alimony paid as a form of support to the spouse children, as this would attract taxes. Hence, individuals who intend to use the alimony as a strategy to save on taxes must ensure the amount will be paid throughout the life of the spouse to avoid IRS recapturing the deductions made earlier.

The fourth rule that one must meet is the one that requires the spouses to live separately. It is impossible to ask the IRS to make alimony payment deductions in the taxable income when you are living with your separated couple under one roof (Scinto, 2011). Hence, an individual should separate and live in different houses so as to ensure that the payments made to the other spouse account qualify as alimony that is tax deductible. Many spouses make the mistake of separating and living in the same house, thereby ending up failing to benefit from the tax savings benefits that are provided for alimony payments made under the IRS act.

Additionally, under IRS rules, a spouse who is making alimony payments is supposed to ensure that he or she does not make up front payments in the form of alimony (Freeland, 2004). According to taxation law in the U. S, the IRS has the authority to tax alimony payments that are paid in the huge, exceeding certain limit within the first three years of separation. To avoid taxation on alimony payments, it is critical for an individual to ensure that he makes equal alimony payments throughout the life of the other spouse. For instance, it is important to avoid paying alimony at once when one gets divorced or upfront payments as this will not qualify as alimony and the person making the payment will be subject to pay taxes. The law requires

that the IRS makes tax recapture for excessive payments made in the third year of the separation period.

Furthermore, when making alimony tax deductions claim, it is critical to ensure that the spouse in question do not file tax returns jointly (Freeland, 2004). Filing tax return jointly means that you share the income generated on an equal basis, thus, alimony payments to one of the spouses in this case does not affect the taxable income at the end of the day. The income of the spouses is combined when filing joint tax return forms. Primarily, this means that the spouse in question is supposed to ensure that they are not filing joint tax returns so as to benefit from the alimony tax deduction as provided by the IRS.

Finally, another rule that should be followed is the one that state that the alimony payer is supposed to fill legal document during the separation process indicating the payment that he or she will be making to the spouse are alimony and the exact figures to be paid (Sooho, 2015). This acts as an evidence that the spouse is subject to make alimony payments to the other spouse, but not other types of separation settlements that do not qualify as alimony. Therefore, it is important to ensure that when separating from your spouse and you will be making alimony payments, you fill in supporting documents so as to benefit from IRS tax saving benefits provided under alimony payments category.

When making decision on using alimony as a form of tax saving strategy, it is also important to consider that in some situations whereby the tax deductible benefits can be recaptured by the IRS. Understanding these situations can be helpful in relation to dealing with tax decisions as far as

using alimony as a means of saving on tax payable. One of the situation in which the tax authority can recapture all the deducted benefits, is when the taxpayer fails to make payments to the end of life of the other spouse (Hoffman, Smith & Willis, 2011). The IRS has the authority to claim back all the accrued benefits and require the taxpayer to pay them as taxes. This means that the spouse must honor the alimony agreement so as to avoid taxation penalties at a future date. Secondly, when the alimony payer makes the settlements in upfront payments he will not get the tax benefits according to the IRS laws.

In conclusion, it is evident that a person paying alimony can use it as an effective strategy of saving on taxes payable to the IRS. In using this individual tax strategy, it is important for the spouse making the alimony payments to ensure that he or she understands the IRS conditions that should be met in order to make alimony tax-deductible claim. The rules are clear that an individual is supposed to be living alone, does not fill joint tax returns, and makes the payment throughout the life of the spouse (Hoffman, Smith & Willis, 2011). When the IRS alimony provision is used well within the premises of the law, an individual taxpayer can save thousand dollars in taxes.

## References

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