

Taxation -

Law



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Adam Smith's Alimony Lecturer: Due Alimony is the legal obligation of a spouse to provide financial support to his/ her spouse before and after marital separation or divorce. Alimony payments attract tax considerations. When it comes to taxation, alimony payments are treated differently from child support. They are tax deductible for the ex who is paying for them. Any person receiving alimony is considered to be receiving income thus taxable and should report to income tax returns.

Alimony payment is deductible to the person paying thus reducing tax liability. The person receiving should thus pay tax on the amount received since it is income. It is important to align alimony payments on both parties, in that the amount received by the spouse from the ex is the same. This is advisable to avoid any audit by the IRS.

As concern the issue of Adam Smith, its total payment to Judy was \$45, 000. 02, this constituted both child support and unallocated maintenance.

However, Adam claimed alimony payment of \$ 41, 695 during that period. Since not all payments made to Judith constitute alimony payment it is thus right for the IRS to divide the amount of \$41, 695 into alimony payment and other payments including child support, thus the amount of alimony claim should be \$15, 552. Adam should claim this amount from the IRS as tax deductible. To avoid future problems like this it is important to classify the amount of alimony payment from other payments like child support etc. it is important also that both the spouses file separate tax returns as a prerequisite to alimony payments.

Child support is never deductible. Since Adam's decree provided for both alimony and child support and he paid less than the total required, the payment applies first to child support hence the amount of \$26, 143 and the

remaining amount is considered alimony (\$15, 552)

Works cited

" Alimony Payments Have Effect on Taxes." Post-Tribune 21 Mar. 2004. Web.
25 Nov. 2014. .