

ALIMONY DEDUCTIONS - 4/24/2014

A recent Tax Court case is a reminder of the importance of carefully crafting the alimony provisions in a separation agreement for a divorcing couple. The IRS was successful in asserting that the 'alimony' payments deducted by the taxpayer for the payments to his former wife were based on an impermissible contingency related to the taxpayer's child. Because of this contingency, the payments could not be deducted by the taxpayer, as they were not actually alimony. The fact that both the taxpayer

and his former wife apparently agreed that the payments would be deductible by the taxpayer was not enough to support their deduction, nor was an explicit provision for their deductibility in the separation agreement controlling.

If you are concerned about alimony or other support issues, and their related tax consequences, please contact one of the tax attorneys at Fletcher Tilton for assistance.

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