

ALIMONY TAX ISSUES - MAY 2014

The Treasury Inspector General for Tax Administration recently issued a report highlighting a compliance gap regarding the reporting of alimony deductions and income. The report noted a significant disparity in the number of tax returns that report deductible alimony payments and the number of tax returns that report taxable alimony income. As the report notes, the number of returns that report deductions for alimony payments is significantly larger than the number of returns that report alimony income.

The IRS has agreed to implement most of the procedures recommended in the report to try to reduce the compliance gap. Taxpayers should therefore expect the IRS to be more likely to review tax returns that report deductions for alimony or that should report taxable alimony income, and to be more aggressive in assessing related penalties.

If you have questions about how to report your alimony payments, please contact David Guarino or Cory Bilodeau, the Co-Chairs of the Tax Practice at Fletcher Tilton.

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