

Family Law: How New Tax and Alimony Laws are changing in 2019

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The new tax law and alimony changes are all set to come into action this year. For couples splitting up in the New Year, divorce is going to become messier than ever. According to the current alimony deduction practice ([26 U.S. Code § 71](#)), the spouse paying support is eligible for deduction when filing taxes whereas the one receiving it pays taxes according to his/her own individual income. This particular law was enacted in an attempt to save more money for the couples and making the change easier for the spouses.

However, experts believe that this new tax law and alimony rule [will discourage the spouse with a higher income](#). Hence, it would not be surprising to see if divorce cases end up getting more complicated than before.

Basically, this new change will take away the incentive or 'subsidy' that was available for divorcing spouses since the last 77 years or so. The government expects to benefit from this new law. However, divorced spouses will carry a lot of resentment in response to this amendment.

The spouse paying the alimony will find the amount to be ineligible for a tax deduction. On the other hand, the receiving spouse will no longer need to pay tax on the alimony payment. While, at first, this might look like good news for the receiving spouse, it is actually not. This is because the total money available to both spouses will undoubtedly shrink. Thus, reduced support will affect the lives of the receiving spouse as well as the children.

Furthermore, this new tax law and alimony rule [will take away the opportunity of the unemployed spouse to make contributions towards an IRA](#). Since the spouse will no longer be paying any taxes on the alimony, he/she might not be eligible for a retirement saving plan. This can significantly hurt the financial future of many spouses receiving alimony.

Another reflection of this change will be seen in the number of cases going to court. With so much frustration and financial pressure, the probability of reaching a settlement will be further reduced. This will, in turn, increase the financial distress of the couples since they will have to pay more towards the attorney fees. Experts also believe that [determining child support payments will become more complicated with this change](#).

The new tax law and alimony changes are a major part of the [Tax Cuts and Jobs Act](#). For couples that have entered a divorce agreement before the 31st of December, 2018, there is no change in their existing agreement. This is why many couples ended up rushing into finalizing their divorce agreements towards the end of 2018.

If the spouse providing alimony support chooses to pay through his/her retirement account, the receiving spouse would have to pay tax on the amount. This can be a way of replicating the same effect that was in place earlier. However, the spouse would have to pay a lump sum amount. To find out what is the best way, keeping a financial professional will help spouses significantly.

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