



Trump's tax law sparks year-end rush to finalize divorces

BY NAOMI JAGODA - 12/16/18 07:15 AM EST

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Divorcing couples are scrambling to finalize their cases before the end of the year as a result of President Trump's tax law.

The 2017 GOP tax overhaul eliminates the deduction for alimony payments in divorce agreements entered into after Dec. 31, 2018. That means beginning next month, tax savings for many divorcing couples will be smaller than they are now.

Divorce lawyers and financial planners say they are racing to have couples complete their agreements before the changes take effect.

Twenty-seven percent of Certified Public Accountant (CPA) financial planners have seen an increase in the number of clients aiming to finalize their divorces this year, with 6 percent reporting a substantial increase, according to survey results released Thursday by the American Institute of CPAs.

"It is a complete madhouse," said Jacqueline Newman, managing partner at Berkman Bottger Newman & Rodd in New York.

She said her firm has been scheduling closings in cases where all the terms of a settlement haven't been agreed to yet.

About 586,000 tax returns claimed the alimony deduction for the 2016 tax year, according to IRS data. And around 164,000 of those were from people with income between \$100,000 and \$200,000.

The 2017 tax law significantly changes the way alimony payments are treated in the U.S. tax code.



CLARIFICATION: Changes to deduction for certain alimony payments effective in 2019

This article clarifies information provided in IRS Publication 5307, Tax Reform Basics for Individuals and Families for the repeal of deduction for alimony payments under the Tax Cuts & Jobs Act of 2017.

Alimony or separation payments paid to a spouse or former spouse under a divorce or separation agreement, such as a divorce decree, a separate maintenance decree, or a written separation agreement, may be alimony for federal tax purposes. Alimony or separation payments are deductible if the taxpayer is the payer spouse. Receiving spouses must include the alimony or separation payments in their income.

Beginning Jan. 1, 2019, alimony or separate maintenance payments are not deductible from the income of the payer spouse, or includable in the income of the receiving spouse, if made under a divorce or separation agreement executed after Dec. 31, 2018.

This also applies to a divorce or separation agreement executed on or before Dec. 31, 2018, and modified after December 31, 2018, as long as the modification:

- changes the terms of the alimony or separate maintenance payments; and
- states that the alimony or separate maintenance payments are not deductible by the payer spouse or includable in the income of the receiving spouse.

On the other hand, generally alimony or separate maintenance payments are deductible from the income of the payer spouse and includable in the income of the receiving spouse, if made under a divorce or separation agreement executed on or before Dec. 31, 2018, even if the agreement was modified after December 31, 2018, so long as the modification is not one described in the preceding paragraph.

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