

Family law attorney Janet Reed explains recent changes to tax laws affecting tax treatment of spousal support

Under the TCJA, spousal support under a divorce decree or settlement agreement finalized after December 31, 2018 is no longer deductible, notes Janet Reed, Esq.

JACKSONVILLE, NORTH CAROLINA, UNITED STATES, January 1, 2019 /EINPresswire.com/ -- In her newest published article, lawyer <u>Janet Reed</u> explains recent tax changes that may be implicated in family law proceedings. The complete article will be published on her Blog at https://janetreedesq.blogspot.com/

As part of the Tax Cuts & Jobs Act (TCJA), tax treatment of spousal support has gone under a major overhaul. As practitioners of family law

are well aware, currently, spousal support is an above the line deduction for the payor spouse and taxable income for the payee spouse. This means that regardless of whether the payor spouse takes the standard deduction or the itemized deduction, said payor spouse can deduct



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spousal support from his or her taxable income and reduce their tax burden. Correspondingly, the payee spouse has to report such spousal support as their income and be responsible for the income taxes on it. Because payor spouse tends to have higher income than the payee spouse, it often results in a net tax benefit by shifting pretax dollars from the payor spouse to the payee spouse.

Under the TCJA, spousal support payable under a divorce decree or settlement agreement finalized after December 31, 2018 is no longer deductible by the payor spouse nor reportable as income by the payee spouse. This is also true for any modifications to existing settlement agreements, but only if the agreement explicitly provides that spousal

support will no longer be deductible by the payor spouse.

The change poses a significant consideration for practitioners. Attorneys representing payor spouse must recognize that the support being awarded or agreed upon in 2019 and forward will represent a substantially higher financial burden for the payor spouse. At the same time, payee spouse will now receive such support without worry for income tax burden. Payor spouse's attorney will need to focus on lowering the support amount in litigations and negotiations to accurately reflect the fact that spousal support award can be lower and still provide same

financial support to the payee spouse. Attorneys for payee spouse will need to focus on maximizing the financial benefit to the payee spouse and also ensure that support award or agreement does not overcompensate for the change in tax law, resulting in an unduly reduced spousal support.

Navigating the constantly shifting tax laws and their implications on family law cases requires the assistance of an experienced family law attorney. Individuals are encouraged to discuss the potential ramifications of the TCJA on their cases with a qualified family law attorney, adds Ms. Reed.

About <u>Janet Pittman Reed</u>, Attorney in North Carolina

Janet P. Reed is an attorney in Jacksonville, North Carolina, and handles Family Law cases such as Divorce & Separation.

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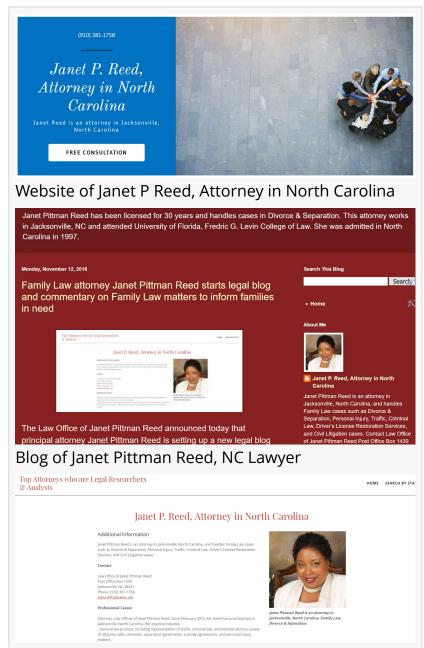
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