

Divorce

Uncle Sam -- the Third Party in Your Divorce

Although divorce can interfere with planning the rest of your life, don't forget to consider your following year's taxes. Usually, legal fees involved in a divorce aren't a deductible item unless the fee was for tax advice. For divorce-related tax questions, speak to a professional preparer before the divorce decree becomes final to ensure you understand the tax consequences of your agreement.

Divorced or Separated: Who Claims the Children?

General rules exist for divorced and separated parents. If, between both of them, they provide more than 50 percent of the support, the exemption generally goes to the custodial parent, that is, the parent who has the child for more than half the year. The custodial parent can release the exemption to the non-custodial parent by filing Form 8332. The custodial parent can release the exemption for one year or for all future years.

Clarifying Alimony and Support Taxation

The tax treatments of alimony and child support payments often cause confusion, especially among the recently divorced or those considering taking that step. Generally, alimony you pay is deductible (even if you don't itemize) while alimony you receive is taxable. What's more, alimony you receive is considered earned income for purposes of contributing to an individual retirement arrangement, or IRA. On the other hand, child support payments you make are not deductible, and any such payments you receive are not taxable.