Changes in Alimony

Taxpayers should be aware of tax law changes related to alimony and separation payments. These payments are made after a divorce or separation. The Tax Cuts and Jobs Act changed the rules around them, which will affect certain taxpayers when they file their 2019 tax returns next year. Here are some facts that will help people understand these changes and who they will impact:

- The law relates to payments under a divorce or separation agreement. This includes:
    - Divorce decrees.
    - Separate maintenance decrees.
    - Written separation agreements.

- In general, the taxpayer who makes payments to a spouse or former spouse can deduct it on their tax return. The taxpayer who receives the payments is required to include it 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.

- If an agreement was executed on or before Dec. 31, 2018 and then modified after that date, the new law also applies. The new law applies if the modification does these two things:
    - It changes the terms of the alimony or separate maintenance payments.
    - It specifically says that alimony or separate maintenance payments are not deductible by the payer spouse or includable in the income of the receiving spouse.

- Agreements executed on or before Dec. 31, 2018 follow the previous rules. If an agreement was modified after that date, the agreement still follows the previous law as long as the modifications don't do what's described above.