

ALIMONY IN THE IRS SPOTLIGHT

A couple of years ago, the U.S. Treasury released a report highlighting a disturbing level of non-compliance in alimony reporting on tax returns. Since the report was released, the IRS has increased the scrutiny they place on tax returns with alimony claims. If you file a tax return involving alimony, make sure you know the facts so you can avoid any potential audit problems.

If you receive alimony. Report alimony as "received as income" on your tax return. If you receive income from an ex-spouse that you believe is child support, retain documentation to support this claim as this is not income to you.

Alimony payment requires proper reporting. You must report the Social Security number (SSN) or the tax identification number (TIN) of the person receiving alimony you are paying. Failure to provide this identification will result in a \$50 penalty.

Mismatch audits on the rise. The IRS has implemented audit filters that will catch alimony mismatches, so you should expect an audit if there is a major alimony discrepancy. A quick discussion with your ex regarding claimed alimony will help you ensure your tax returns match up.

Documentation is crucial. Because you know your chances of an audit are now higher if there is alimony noted on your tax return, double check your documentation. If you pay alimony, having it automatically deducted from your paycheck will make it easier to accurately report your payment amounts.

Double check with an ex. Each year the IRS sees hundreds of millions of dollars in claimed alimony deductions that have no corresponding income tax returns filed reporting the income. These instances of non-reporting are an audit target for the IRS for both taxpayers.

If you have questions regarding the tax treatment of your alimony payments or receipts, please call. We're here to help.