

Alimony Recapture

Alimony Recapture Tax George J Jones and Marianne P Jones.

The amount of alimony that has to be recaptured in this case is \$5,000.

This is made up of \$0 to recapture from year 1 to year 2, and \$5,000 to recapture from year 2 to year 3.

At the payer's marginal tax rate, this "recaptured" income will result in \$1,400 of tax.

This tax would be payable in the third year after the divorce.

Analysis:

Alimony Recapture is a tax law provision that attempts to catch property settlements (which are not deductible) that are disguised as alimony (which is deductible).

The law looks at alimony payments in the first, second and third years after divorce. If there is too steep a decline, then the law concludes that the so-called alimony is really a property settlement, and a tax is assessed.

One safe situation is if alimony between 1st and 2nd year, and between 2nd and 3rd year, never declines by more than \$15,000.

Alimony payments in this case so far are \$0 in year 1, \$50,000 in year 2, and \$30,000 in year 3.