

New York Divorce Mediation - October Blog Article

The Unexpected Tax Consequences of a Divorce

Divorce has significant tax consequences, the most important of which is that you can no longer file joint tax returns. Many couples who have filed jointly for several years forget the tax benefit they've been receiving until they have to file as single—then the financial reality of the situation sets in.

Divorce lawyers who are skilled at their job are usually able to work with a couple to achieve the maximum benefit from an otherwise non-beneficial tax situation. There are also ways to structure a divorce settlement that will make taxes owed less difficult for each party to handle.

A skilled New York divorce lawyer or New York mediator who works with couples going through a divorce will be knowledgeable about New York divorce laws and can help you plan for the tax consequences of a divorce before you file. When couples focus on minimizing the tax consequences of their divorce settlement, they are able to make a considerable difference in the amount of taxes that each will owe separately.

Spousal Support is subject to taxes. For example, the spouse who makes the support payments will be able to claim those payments as a deduction and the person receiving the payments must pay taxes on them. You have things to work out like maintenance (alimony), which is subject to the IRS codes. This works out so that the spouse who has a higher income will be able to maximize the use of deductions as a potential tax benefit.

Child custody is another aspect that should be included in the divorcing couple's consideration of tax code. The person with whom the child or children mostly reside will be able to file as Head of Household, decreasing his or her tax burden in the process. Although child support payments are not deductible, who can claim the child or children as dependents is something that is negotiable in the divorce settlement.

A few other points to consider: If you need to transfer property from one spouse to another, be sure to do so within one year of your divorce. If this is done within one year and is part of your divorce settlement, you will be able to make the transfer tax free. Additionally, if a divorce decree requires one spouse to roll-over his or her retirement assets into the other spouse's retirement account, this can also be done tax-free. In any case, it's always a good idea to speak with a New York divorce attorney or New York divorce mediator to learn the best options regarding your tax burden during and after a divorce.

Mediation Associates of NY & NJ strives to accomplish two things for our clients and which are the cornerstones of a successfully mediated agreement. The first is the ability to adequately teach the relevant law to our clients on every issue upon which they will be asked to make a decision. The second is to assist both clients in making sound and healthy decisions based on the law, their needs and those of their children. We are interested in helping you solve your needs through amicable mediation. Make an appointment for a free consult. Contact us at 877-666-9601 or 914-666-9601.