

How Taxes Relate to California Divorce: Support

There are four basic ways taxes have an impact on your California divorce: support, filing status, property division, and dependency exemptions. Here's a brief overview on what you need to know about the relationship between taxes and support.

There are three types of support in California, child support, spousal support (also known as alimony), and family support. Each type of support is treated differently for tax purposes, so it is important to pay attention to whether or not the support you are receiving or paying is income or deductible.

Child Support and Taxes

In general, any payments of child support are not considered income to the recipient (also known as the payee), nor are they tax deductible to the payor of child support. In order to receive this tax free treatment, it is extremely important that your court orders specify that the payments are deemed or designated as "child support." In the event that the order is silent as to the type of support the payments are, it is possible that the payments may not be considered child support for tax purposes. Notably, child support is distinct and separate from a Child and Dependent Care Credit that you may still be eligible to claim on your federal income tax return.

Spousal Support and Taxes

Spousal support is considered alimony under IRS Code 71, which means that it is income to the recipient (also known as the payee) and tax deductible to the payor of spousal support. That means if you are receiving spousal support, you will have to report the payments as earned income, and you will have to pay taxes on this money just like as though you were earning a salary. Alternatively, the payor of spousal support may deduct 100% of all spousal support payments made.

For recipients of spousal support, it's extremely important that you keep in mind that you should withhold some of the money you receive to cover your future tax obligations. If you receive \$1,500 per month in spousal support, pretend that you've only received \$1,200 and put the rest away in savings. For a more accurate prediction of your tax obligations, work with a CPA or financial planner.

For payors of spousal support, this obligation may result in you suddenly being unable to meet your previous living expenses. Since you are going to be deducting the support from your tax return, you may wish to consider changing your withholding allowances on your paycheck to withhold fewer taxes. This will give you more discretionary net spendable income on a regular monthly basis as opposed to getting a large refund after you file your taxes. Before you do so, it is recommended

that you speak with a CPA to help give you a realistic assessment on how you can change your withholding allowances to your benefit.

Family Support and Taxes

Family support is a more unusual type of support in California. Typically, most support orders have separate provisions for child and spousal support. Family support combines both child and spousal support without differentiating between the two types. People who agree to family support typically do so for tax purposes.

Family support can be treated as 100% taxable/deductible like spousal support, or it can be treated as 100% non-taxable/non-deductible like child support. If you choose to enter into a family support order, you need to be very clear about how you and your spouse intend to treat these support amounts for tax purposes. You also need to have a very clear understanding about what your tax burden or obligation will be under a family support order and determine that it is in your financial best interest to enter into this type of structure.

Finally, it is important to note that family support must be by agreement. As soon as one person decides that he or she would rather not have family support, support will be adjusted to a child and spousal support structure.

If you have any questions regarding what type of support is best for you, please [contact us](#) for help.