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IRS Summertime Tax Tip 2016-23: Tax Effects of Divorce or Separation

Internal Revenue Service (IRS) sent this bulletin at 08/24/2016 10:04 AM EDT

IRS Tax Tips August 24, 2016

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Tax Effects of Divorce or Separation

If you are divorcing or recently divorced, taxes may be the last thing on your mind. However, these events can have a big impact on your wallet. Alimony and a name or address change are just a few items you may need to consider. Here are some key tax tips to keep in mind:

- **Child Support.** Child support payments are not deductible and if you received child support, it is not taxable.
- **Alimony Paid**. You can deduct alimony paid to or for a spouse or former spouse under a divorce or separation decree, regardless of whether you itemize deductions. Voluntary payments made outside a divorce or separation decree are not deductible. You must enter your spouse's Social Security Number or Individual Taxpayer Identification Number on your Form 1040 when you file.
- **Alimony Received.** If you get alimony from your spouse or former spouse, it is taxable in the year you get it. Alimony is not subject to tax withholding so you may need to increase the tax you pay during the year to avoid a penalty. To do this, you can make estimated tax payments or increase the amount of tax withheld from your wages.

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- **Spousal IRA.** If you get a final decree of divorce or separate maintenance by the end of your tax year, you can't deduct contributions you make to your former spouse's traditional IRA. You may be able to deduct contributions you make to your own traditional IRA.

- **Name Changes.** If you change your name after your divorce, be sure to notify the Social Security Administration. File Form SS-5, Application for a Social Security Card. You can get the form on SSA.gov or call 800-772-1213 to order it. The name on your tax return must match SSA records. A name mismatch can cause problems in the processing of your return and may delay your refund. Health Care Law Considerations.

- **Special Marketplace Enrollment Period**. If you lose health insurance coverage due to divorce, you are still required to have coverage for every month of the year for yourself and the dependents you can claim on your tax return. You may enroll in health coverage through the Health Insurance Marketplace during a Special Enrollment Period, if you lose coverage due to a divorce.

- **Changes in Circumstances.** If you purchase health insurance coverage through the Health Insurance Marketplace, you may get advance payments of the premium tax credit. If you do, you should report changes in circumstances to your Marketplace throughout the year. These changes include a change in marital status, a name change, a change of address, and a change in your income or family size. Reporting these changes will help make sure that you get the proper type and amount of financial assistance. This will also help you avoid getting too much or too little credit in advance.

- **Shared Policy Allocation**. If you divorced or are legally separated during the tax year and are enrolled in the same qualified health plan, you and your former spouse must allocate policy amounts on your separate tax returns to figure your premium tax credit and reconcile any advance payments made on your behalf. Publication 974, Premium Tax Credit, has more information about the Shared Policy Allocation. For more on this topic, see Publication 504, Divorced or Separated Individuals. You can get it on IRS.gov/forms at any time.

IRS Tax Tips provide valuable information throughout the year. IRS.gov offers tax help and info on various topics including common tax scams, taxpayer rights and more.

Additional IRS Resources:

- Publications 590-A, Contributions to Individual Retirement Arrangements (IRAs)
- Publication 555, Community Property
- Publication 974, Premium Tax Credit
- Publication 5152: Report changes to the Marketplace as they happen – English | Spanish

IRS YouTube Videos:

- Premium Tax Credit: Changes in Circumstances – English | Spanish | ASL

IRS Podcasts:

- Premium Tax Credit: Changes in Circumstances – English | Spanish

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