



MEMORANDUM

TO: All Pension Clients

FROM: Klausner, Kaufman, Jensen & Levinson

Re: Changes in Tax Rules for Alimony

Date: April 2, 2019

In response to tax law changes/reform, commonly referred to as the Tax Cuts and Jobs Act (TCJA), the Internal Revenue Service has issued the following:

IRS Publication 5307 (Rev. 10-2018)

Tax Reform, Basics for Individuals and Families

“Repeal of deduction for alimony payments

Alimony and separate maintenance payments are no longer deductible for any divorce or separation agreement executed after December 31, 2018, or for any divorce or separation agreement executed on or before December 31, 2018, and modified after that date. Further, alimony and separate maintenance payments are no longer included in income based on these dates, so you won’t need to report these payments on your tax return if the payments are based on a divorce or separation agreement executed or modified after December 31, 2018.

WHAT’S NEXT FOR TAX YEAR 2019? ... divorce or separation agreements executed or modified after Dec 31, 2018 providing alimony will have different tax consequences. The alimony payments will not be deductible for the spouse who makes alimony payments and they will not be included in the income of the receiving spouse.”

Due to the tax law change, effective January 2019, we strongly recommend adding the following language to Plan Summary Plan Descriptions (SPD's) and posting on the website for members' information:

Tax Cuts and Jobs Act Alters Tax Rules for Alimony

Effective January 1, 2019, changes in the federal income tax laws have eliminated tax deductions for alimony if the marriage was dissolved or a property settlement was made on or after January 1, 2019. This also includes any modification to an existing order or agreement if the modification is made on or after January 1, 2019. This means that income deduction orders which require alimony payments to a former spouse will be income to the member. Dissolutions of marriage orders or separation agreements entered on or before December 31, 2018 will remain under the prior rule. Members who are involved in a dissolution of marriage proceeding are strongly encouraged to consult a qualified tax advisor concerning the impact of both alimony and equitable division of marital property on the member's federal income tax obligations. The Pension Fund Board of Trustees and staff CANNOT provide individual tax advice.

Note that it is not the duty of plans to give individual tax advice and this memo is not intended to provide individualized tax advice to any members. As always, our office is available to answer any questions.