

Blog

Student Loan Payments Deductible as Alimony...for Now

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The new tax law has reduced many options for alimony deductions. However, a recent court case revealed a surprising one that still qualifies (for now, anyway). As reported in [an recent online article](#), student loan payments made by a former spouse may qualify as tax deductible alimony. It is important to note, though, that the new tax law would not preserve the current deductibility once changes to the code take effect in 2019. Still, the case is an interesting one.

In *Vanderhal, TC Summ. Op. 2018-41*, a California couple divided assets and debts, assigning the wife's Sallie Mae student loan account to the husband. In reviewing the terms of the parties' divorce agreement, the federal tax court concluded that payments of an ex-spouse's student loan are considered alimony and may be deducted. This differs from child support or distributions of marital property, neither of which may be treated as alimony, noted the article.

In general, payments must meet a strict list of requirements to qualify as alimony. Specifically, payments must be made in cash or the equivalent (by check) to an ex-spouse not residing in the same household and, of course the parties must separate tax returns, although this is required by federal law in any tax year (and all subsequent years) in which the parties' finalize their divorce.

Through 2018, alimony payments may be deducted by the payor on tax returns and are reported as taxable income to the recipient. However, the Tax and Jobs Act (TCJA) will no longer permit such deductions to account for the arbitrage created by deductions of alimony in high income brackets that are reported as income in lower tax brackets. Beginning with orders entered in 2019, alimony will not be deductible by the payor or reported as taxable income by the recipient. Therefore, divorcing couples may wish to adjust their timeline accordingly.

If you have questions about the tax burden associated with alimony or need an experienced Bucks County divorce attorney, we can help. Call us at 215-340-2207, or email info@bucksfamilylawyers.com.

