

Tax Impact of Alimony vs Child Support (Family Support)

This analysis compares the tax effect of switching the child support to alimony.

Because alimony is deductible to the payer, there is often a tax benefit to trading off alimony against child support.

The benefit arises if the payer is in a higher tax bracket than the recipient.

Having payments combined as all alimony is known (especially in California) as "family support."

Of course, the parties must always be careful that the payments qualify as "alimony" under federal tax rules.

Based on our analysis, the net tax gain from switching child support to alimony is:

\$	1,019	Tax savings in the first year.
\$	4,012	Total tax savings over the first three years.
\$	6,336	Total tax savings over the first five years.
\$	19,119	Total tax savings over 30 years.

Actual tax payments:

Lisa's actual tax.	-240	418	500	558	634	-1,411	-1,738	-16	168	205
Michael's actual tax.	12,058	11,810	12,248	14,209	14,680	16,790	17,362	19,866	20,528	21,185
Actual combined tax	11,818	12,228	12,748	14,767	15,314	15,379	15,624	19,850	20,696	21,390

Tax payments if all child support payments are alimony:

Lisa's tax if all payments are alimony.	1,666	3,860	4,091	4,327	4,566	3,093	2,954	4,224	4,634	4,940
Michael's tax if all payments are alimony.	9,133	6,797	7,235	9,196	9,668	11,738	12,293	14,168	14,811	15,466
Combined tax if all payments are alimony.	10,799	10,657	11,326	13,523	14,234	14,831	15,247	18,392	19,445	20,406

Tax savings if all child support payments are alimony:

Tax savings: Actual combined tax less combined tax if all alimony	1,019	1,571	1,422	1,244	1,080	548	377	1,458	1,251	984
Cumulative Tax savings if all payments are alimony	1,019	2,590	4,012	5,256	6,336	6,884	7,261	8,719	9,970	10,954

Cumulative Tax Savings

