

Alimony By Any Other Name...

By Tom Norton, CPA, CDFA

Most of us have heard of alimony and have at least a basic understanding of what it is.

But maybe you've heard your divorce lawyer talk about "maintenance," or "spousal maintenance." In some places the term "spousal support" is frequently used.

What's the difference between all of these things?

Basically, nothing. It's just the term used in your local area. No matter what it's called, it represents payments made from the higher earning spouse (or ex-spouse) to the lower earning spouse, under order of the court, as part of a divorce. But it does not include child support or property settlement payments.

Some divorce attorneys believe that the term "alimony" is antiquated and carries too much emotional baggage.

In my local area, the preferred term is "maintenance." So when I speak to lawyers, that's the term I generally use. However, the income tax code very specifically uses the term "alimony." And as I always remind both my clients and their attorneys, just because the court orders "maintenance," that doesn't mean it qualifies as alimony under the tax law. So when I talk about the tax code, I use the term "alimony."

Alimony, as defined in the tax law, is tax deductible by the one who pays it, and must be included in the taxable income of the one who receives it. But if the payments don't qualify as alimony, then they're not deductible, and they're not included income.

How do you know if the payments qualify? That's for another article.

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