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TAXES

The Tax Blotter – March 2023

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Ken Berry • Mar. 20, 2023



The *Tax Blotter* is a round-up of recent tax rulings and legislation.

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Use 529 plan for kids. Generally you can set up a Section 529 plan to pay for qualified education expenses of a beneficiary, like your child, when they attend college or grad school. The withdrawals are exempt from tax. But the account doesn't have to be just for higher education. Under the TCJA, the plan may be used to pay for up to \$10,000 of tuition for a child in grades K-12 at a private or religious school.

Account for alimony. Prior to the TCJA, the payor of alimony was allowed to deduct the payments under a separation or divorce decree, while the recipient had to report the payments as taxable income. For agreements entered into after 2017, the deduction is no longer available to payors, nor is the alimony taxable to recipients. However, payments under pre-2019 agreements remain deductible by payors and taxable to those who receive it.

No going back on conversion. When you convert a traditional IRA to a Roth IRA, you must pay tax on the value of the assets transferred on the date of the conversion. However, if the value of the assets dropped after the conversion or you otherwise had a change of heart, in the past you could “recharacterize” the Roth back into a traditional IRA at tax return time. It was as if the conversion had never occurred. Unfortunately, this option is no longer available after 2017.

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