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Wendy's divorce granted her ~~the~~ custody of her child Chris, since Chris is a toddler, so he is under 19 + lives with Wendy more than half of his time, ^{and does not provide more than 1/2 of his support} which means Wendy will be able to claim him as her dependent in her tax return the year of the divorce if she files a tax return.

As part of the settlement, Wendy will receive $\frac{1}{4}$ \$730,000 cash, which has same basis of \$30,000, so there is no effect of cash in a divorce settlement is similar to gift, so no gain/loss to report, especially if they live in a community property state.

2 a) Partnership in a silent partner interest with a FMV of \$70,000 and Hollis adjusted basis of \$15,000.

2 Again, §71 allows pass through of basis, so Wendy's basis will be \$15,000 and she will recognize any resultant gain when she sells it. If there is any partnership distribution, ~~that~~ Wendy will get all the income since she is getting similar to a fee simple in the settlement. ~~Partnership~~ limited partnership distribution tax status will depend on whether it is return on capital, or other classification. But until she sells it, there is no tax effect on the holding of the interest.

2 / d) Hollis will pay Wendy tuition. Since Wendy + Hollis are no longer married, Hollis tuition payment will be taxable income to Wendy, even if it meets the requirement of education deduction. In this case, it clearly does not because it allows Wendy to learn a new trade, which is

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specifically excluded as a tax deductible item. So Wendy will have to report what Hollis pays her as income. However, she ^(Hope + state tax education credit) can utilize one of the two available education credits if she is going to an accredited college or university.

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3) §71 includes child support as tax deductible, it is considered a personal expense for Hollis to pay for the support of Chris. So Wendy does not have to report the \$6,000/yr. till Chris reaches 18.

4) Spousal support, if it meets the definition of §71(b) for alimony, will be tax deductible to Hollis + income to Wendy. To meet the eligibility, it must be paid in cash for the benefit of an ex-spouse, pursuant to a written agreement, cannot be oral, party must not have elected to designate payment as not alimony, or agreed to alter the tax status, they must also live apart in separate households, with no obligation to pay when Wendy dies, and must not be designated as child support and meets the substantial payment for three year rule without front loading or ending settlement payment.

The agreement between Wendy + Hollis is for five years and is evenly for \$12,000 per year, with condition that if Wendy dies or re-marries, Hollis will no longer be responsible. The remarriage condition is ~~acceptable~~ acceptable within §71, and assuming Hollis + Wendy do live in

separate household, they should pass the requirement because it is OK to be longer than 3 years. Hollie will get to deduct above the line as ordinary expense & Wendy will have to report as ordinary income.

The condition that if ~~the~~^{Wendy} dies within 5 years, support will drop to \$1000 should be OK even though any other condition ~~or~~ will likely void the alimony tax status. But conditions on ~~for~~ ~~this~~ is OK ~~to~~ as long as it is not ~~or~~

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However, the § 71(c)(2)(A) specifically prohibits conditions alimony payment contingent on the child Chris dying. If Wendy & Hollie does not remove this contingency, the agreement may be ~~void~~ invalid & it will ~~not~~ probably be ~~not~~ not tax deductible to Hollie & probably be income to Wendy since it would not be a gift because Hollie probably not intent to give his ex spouse a gift for 5 years.

The \$3,000 attorney fee that Wendy pays, if she can get an itemized invoice from the attorney, she will be able to deduct part of it in different 'bucket'. The portion allocatable to ~~her~~ income could be deducted above the line. She can argue that the alimony is income. Portion for the property settlement can be added to the basis of the property as part of the cost of obtaining the property.

To the extent that her attorney provided her tax consulting and planning, she can deduct those in her Miscellaneous deductions, subject to 2% of her A.G.I. if she itemizes. Attorney fee deduction will depend on the originator of the claim for determination § 262

In addition, depends on Wendy's income level, she can be eligible for earned income credit, ^{§ 32} child care credit, ^{§ 21} dependent child credit ^{§ 24(a)} for having custody of her son, and she can file her tax return as single head of household with a more favorable treatment than Holler.