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Kris Humphries v. Kim Kardashian: LaLa Land Lawsuit?

If you're a Kardashian (and who doesn't want to be?), maybe no trouble is all that troublesome. After all, trouble may mean higher ratings and more magazine coverage. In court, New Jersey Nets basketball star Kris Humphries suggests his 72 day marriage to Kim Kardashian was fraudulent, perhaps a ratings gambit cooked up by Kim.

If that's true, could the litigation be too, perhaps more Judge Judy than Johnny Cochran? If you believe Humphries, where does it end? Maybe this is the kind of legal matter that should be decided by the Supremes (the singers, not the Court).

But the divorce case sure seems real. The legal fees certainly are. When the smoke clears and money changes hands as it inevitably will, won't taxes be due too? Here's a range of possibilities that could play out:

Divorce or Annulment Pay? Whether a marriage ends in divorce or in annulment has important legal ramifications. Annulment assumes the marriage was void from the start. Surprisingly, though, the tax law treats



Kris Humphries and Kim Kardashian
(Image credit: Getty Images via @daylife)

them the same, regarding an annulment as a divorce. See [Watch Out Assigning Assets in Divorce](#).

Property settlements are tax free between settling spouses. See [Taxing Mr. and Mrs. Zuckerberg](#). However, property is divvied up, it's not taxed even if there is untaxed appreciation. But alimony—also called spousal maintenance—is a different story. See [How To Make Divorce Less Taxing](#).

Alimony is deductible by the payor and taxable to the payee. But these rules are surprisingly complex and often confused. Both sides should get some tax advice before inking any deal. See [Biggest Injustice of Denying Same-Sex Marriage? Tax-Free Divorce](#).

Suppose Kris gets Money for Fraud? The fact that Humphries has fraud claims raises interesting tax issues. Apart from divorce tax rules, if he gets damages for fraud, they're probably taxable. At a combined federal and California tax rate of approximately 45%, Humphries might only net \$550,000 of each million.

If Humphries is using a contingent fee lawyer, the tax rules could make it even worse. See [Legal Fees and Tax Deductions](#). If he owes his lawyer 40%, Kris nets \$600,000 out of every million. But ***for tax purposes*** Kris is treated as receiving the full million. He can deduct the \$400,000 his lawyer gets, but only as a miscellaneous itemized deduction. The numbers get complex, but it's likely Humphries' tax bill would exceed 50% of his take-home. See [When Settling Litigation ALWAYS Address Taxes](#).

What About Kim's Payout? If Kim pays out a settlement or judgment to Kris, what's it for? If she settles, will it be to unwind the marriage and resolve property or support claims? Maybe, but if Humphries somehow recovers for fraud, that probably makes the damages taxable.

If the damages are to resolve Kris' claims that Kim did the deed with fraudulent intent to boost ratings, Kris could be setting her up nicely for a business expense deduction when she pays. Much of her fame is based on her E! show [Keeping Up With The Kardashians](#). And just because conduct might be reprehensible, that doesn't mean it isn't deductible for

tax purposes. To be nondeductible, a payment has to be **illegal**. See [Three Worst IRS Tax Traps](#).

For more, see:

[In Taxes, Lindsay Lohan Is No Kim Kardashian](#)

[In Taxes, Kim Kardashian is More Buff Than Buffett](#)

[Only The Little Kardashians Pay Taxes](#)

[A Jeremy Lin Tax? Yup, and Better Than Buffett's](#)

[One More Tax Filing Status: Same Sex Partners?](#)

[Gay Or Straight, Marriage Matters—For Taxes](#)

[Tax Filing Status For Same-Sex Partners](#)

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