8 T.C. 266 (1947)

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Widow’s pension benefits received from a Policemen and Firemen’s Relief Fund, where the deceased spouse contributed a percentage of his salary to the fund, constitute taxable income to the recipient, akin to an annuity contract.

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Summary

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Anna E. Curtis, widow of a retired fireman, received monthly payments from the Policemen and Firemen’s Relief Fund of the District of Columbia. Her husband had contributed to the fund through payroll deductions. The Commissioner of Internal Revenue determined that these payments were taxable income. The Tax Court agreed with the Commissioner, holding that the payments were similar to an annuity and taxable, as they were not considered a gift or gratuity from the government. The court emphasized the mandatory contribution from the fireman’s salary as a key factor in determining the nature of the payments.

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Facts

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Joseph McGlynn, petitioner’s husband, was a fireman in the District of Columbia.r
He retired in April 1938 and died shortly thereafter.r
During his employment, 3.5% of his monthly salary was deducted and contributed to the Policemen and Firemen’s Relief Fund.r
After McGlynn’s death, his widow, Anna Curtis, received $60 per month from the fund, pursuant to an order from the Commissioners of the District of Columbia.r
In 1942 and 1943, Curtis received $720 annually from this fund, which she did not report as income on her tax returns.r
The Commissioner determined that these payments were taxable income, leading to a deficiency assessment.r

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Procedural History

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The Commissioner of Internal Revenue assessed a tax deficiency against Anna Curtis for the years 1942 and 1943.r
Curtis challenged the Commissioner’s determination in the United States Tax Court.r

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Issue(s)

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Whether the monthly payments received by the petitioner from the Policemen and Firemen’s Relief Fund of the District of Columbia constitute taxable income.

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Holding

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Yes, because the payments are similar to an annuity contract, given the deceased husband’s mandatory contributions to the fund during his employment, and are not considered a gift or gratuity.

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Court’s Reasoning

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The court reasoned that the payments were not gifts or gratuities because the statutory scheme required contributions from the employee’s salary. The court noted that Congress did not vest discretion in the Board of Commissioners to deny relief to the widow, but only to determine the amount within a set maximum.r
The court stated,

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