17 T.C. 732 (1951)

For tax deduction purposes, alimony payments must be made under a legal obligation incurred by the husband under a written instrument incident to a divorce, not merely a moral obligation stemming from an oral agreement.

Summary

Myerson sought to deduct payments made to his ex-wife as alimony. The Tax Court denied the deduction, holding that the payments were not made pursuant to a written separation agreement or a divorce decree that legally obligated him to pay alimony. The original divorce decree didn't award alimony, and the prior agreement only addressed child custody. The court emphasized that California law (Civil Code §159) requires separation agreements altering support obligations to be in writing. Because Myerson's payments were based on a moral obligation arising from an oral agreement, they didn't meet the requirements for alimony deduction under Section 22(k) of the Internal Revenue Code.

Facts

- Roselyn Myerson divorced the petitioner in 1936.
- The divorce complaint did not request alimony, and the divorce decree did not grant it.
- Prior to the divorce, in 1935, the couple entered a written agreement concerning child custody.
- Myerson claimed an oral understanding existed regarding the support and maintenance of his wife and children, with a minimum payment of $25 per week.
- Myerson made payments to his former wife in 1942 and 1943, which he sought to deduct as alimony.

Procedural History

The Commissioner of Internal Revenue disallowed Myerson's deduction for alimony payments. Myerson petitioned the Tax Court for review, arguing that the payments qualified as deductible alimony under Sections 22(k) and 23(u) of the Internal Revenue Code.

Issue(s)

1. Whether the payments made by the petitioner to his former wife in 1942 and 1943 qualify as periodic payments under Section 22(k) of the Internal Revenue Code.
2. Whether the written agreement regarding child custody, combined with an oral agreement for support, constitutes a written separation agreement that satisfies the legal obligation requirement for alimony deduction under California law.

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Holding

1. No, because the payments were not made pursuant to a written instrument incident to the divorce as required by Section 22(k).
2. No, because under California Civil Code §159, agreements altering the legal relationship of support between spouses must be in writing; the oral agreement cannot be incorporated into the written custody agreement to satisfy this requirement.

Court's Reasoning

The Tax Court reasoned that to qualify for the alimony deduction under Section 22(k), the payments must stem from a legal obligation under a written instrument. The court emphasized that the 1935 agreement was solely about child custody and did not constitute a written separation agreement obligating Myerson to support his ex-wife after the divorce. Referencing California Civil Code §159, the court stated that any agreement altering the legal duty of support must be in writing. The court rejected Myerson's argument that the oral agreement for support was incorporated into the written custody agreement, stating that the oral agreement neither clarified nor explained the written one. Because the payments were based on a moral obligation arising from an oral understanding rather than a legally binding written agreement, they did not meet the statutory requirements for alimony deduction. The court stated, "Periodic payments (of alimony) must be in discharge of a legal obligation which is incurred by the husband under a written instrument incident to divorce, in order to come within the scope of section 22 (k)."

Practical Implications

This case underscores the importance of having a clear, written agreement specifying alimony obligations to ensure deductibility for tax purposes. It highlights that oral agreements, even if acted upon, are insufficient to create a legal obligation recognized for tax deductions related to alimony, especially in jurisdictions like California that require such agreements to be in writing. This case serves as a cautionary tale for divorcing couples and their attorneys, emphasizing the need for meticulous documentation of all agreements concerning support and maintenance. Later cases cite Myerson to reinforce the strict interpretation of Section 22(k) (now Section 71) and the necessity of a written instrument to support alimony deductions.

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