17 T.C. 652 (1951)

Payments made by a husband to his former wife pursuant to a written instrument incident to a divorce are deductible by the husband if they discharge a legal obligation arising from the marital relationship to support the wife.

Summary

The Tax Court addressed whether a husband could deduct alimony payments made to his former wife under Section 23(u) of the Internal Revenue Code. The payments were based on a letter agreement between the parties that was not incorporated into the divorce decree. The court held that the letter constituted a written instrument incident to the divorce that imposed a legal obligation on the husband to support his wife, therefore the payments were deductible by the husband.

Facts

Robert Lehman (petitioner) and Violet were divorced on July 23, 1941. Prior to the divorce, the couple entered into an agreement on May 15, 1941, that primarily addressed the disposition of Violet's separate property. Within five days of this agreement, Violet complained that it did not provide for her support. On May 20, 1941, Robert wrote a letter to Violet confirming his promise to pay her at least $6,000 per year if the divorce was granted. The divorce decree did not incorporate or refer to either the May 15 agreement or the May 20 letter. Robert made payments to Violet in 1942 and 1943 and sought to deduct these payments under Section 23(u) of the Internal Revenue Code.

Procedural History

The Commissioner of Internal Revenue disallowed the deductions claimed by Robert Lehman for alimony payments made to his former wife. Lehman petitioned the Tax Court for a redetermination of the deficiency.

Issue(s)

Whether payments made pursuant to a letter agreement between a husband and wife, incident to a divorce but not incorporated into the divorce decree, constitute a "written instrument incident to such divorce" that creates a "legal obligation" for the husband to support the wife, thus allowing the husband to deduct the payments under Section 23(u) of the Internal Revenue Code.

Holding

Yes, because the letter constituted a written instrument incident to the divorce, and it imposed a legal obligation on the husband to make periodic payments to his wife in discharge of his marital obligation to support her after the divorce.

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Court’s Reasoning

The court reasoned that the letter of May 20 constituted a “written instrument” within the meaning of Section 22(k) of the Internal Revenue Code, because it embodied the terms of a prior oral agreement between the petitioner and his wife and was accepted by her prior to the divorce decree. Citing *National Bank of Commerce of Houston v. Moody, 90 S.W.2d 279*, the court stated that “a telegram or any agreement reduced to writing and signed by one of the parties and accepted by the other is a written contract between the parties.” The court also found that the letter was “incident to” the divorce, as evidenced by the letter itself, which stated: “I now confirm, as I promised you on our trip that I would, that if the divorce is granted, I am bound to pay.” The court further reasoned that the letter constituted a “legal obligation” of the petitioner to make periodic payments to his wife, because it was made in response to the wife’s complaint that the original agreement did not provide for her support. The court noted that the original agreement primarily dealt with the disposition of the wife’s separate property and did not represent a contribution from the husband for her support. Therefore, the court held that the payments made pursuant to the letter were deductible by the husband under Section 23(u) of the Internal Revenue Code.

Practical Implications

This case clarifies that a formal, integrated agreement is not required for alimony payments to be deductible. A simple letter agreement, if it is incident to the divorce and creates a legal obligation for support, can suffice. This provides flexibility in structuring divorce settlements. Attorneys should ensure that any written instrument intended to qualify as an alimony agreement clearly outlines the obligation to pay support and is demonstrably connected to the divorce proceedings. Later cases have cited Lehman for the proposition that the written agreement does not need to be incorporated into the divorce decree to be considered incident to the divorce. This ruling impacts how divorce settlements are negotiated and documented, as it allows for less formal agreements to still qualify for alimony deductions.

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