14 T.C. 1267 (1950)

r
r

A taxpayer must demonstrate they provided over half of a dependent’s support to claim a dependency credit, and income averaging for compensation requires services rendered over at least 36 months.

r
r

Summary

r

Gordon Wayman petitioned the Tax Court, challenging the Commissioner’s denial of dependency credits for his sister-in-law and the rejection of income averaging for trustee fees. The court held that Wayman was entitled to the dependency credits because he provided all of his sister-in-law’s support. However, he was not entitled to income averaging because his services as a trustee, the basis for the compensation, lasted less than 36 months, and his prior accounting work for the trust was considered separate services.

r
r

Facts

r

Gordon Wayman, a certified public accountant, lived with his wife’s sister, Ludie Jones, who was unable to work and had no means of support. Wayman provided all of her support during 1942 and 1943. Wayman was also the treasurer of H.D. Lee, Inc. He had performed accounting services for the H.D. Lee trust since its inception in 1928, following H.D. Lee’s death. In November 1942, Wayman became a trustee of the H.D. Lee trust. Upon the trust’s termination in 1943, Wayman received a lump-sum payment of $8,149.16 for his services as trustee. The IRS disallowed Wayman’s claim to spread this income over prior years under Section 107 of the Internal Revenue Code and also initially denied dependency credits for Ludie Jones.

r
r

Procedural History

r

© 2025 SCOTUSreports.com. All rights reserved.

Wayman filed his income tax return with the Collector of Internal Revenue for the Sixth District of Missouri. The Commissioner of Internal Revenue determined a deficiency in Wayman's income tax for 1943. Wayman petitioned the Tax Court, contesting the deficiency assessment related to the dependency credit and the income averaging of trustee fees.

r
r

Issue(s)

r

1. Whether Wayman was entitled to dependency credits for Ludie Jones in 1942 and 1943.r
2. Whether Wayman was entitled to income averaging under Section 107 of the Internal Revenue Code for the $8,149.16 he received in 1943 as trustee fees.

r
r

Holding

r

1. Yes, because Wayman provided all of Ludie Jones' support, and she had no other means of support.r
2. No, because Wayman's services as trustee, for which he received the $8,149.16, did not span 36 months or more.

r
r

Court's Reasoning

r

Regarding the dependency credits, the court found that Wayman had demonstrated that he provided all of Ludie Jones' support. The court stated,

© 2025 SCOTUSreports.com. All rights reserved.