Blackburn v. Commissioner, 13 T.C. 151 (1949)

Payments received by a California Highway Patrol officer as continued salary during a leave of absence for work-related injuries, as provided by California Labor Code Section 4800, are not considered "workmen's compensation" and are therefore not excludable from gross income under Section 22(b)(5) of the Internal Revenue Code.

Summary

The Tax Court addressed whether payments received by a California Highway Patrol officer, Glen E. Blackburn, while on leave due to work-related injuries, constituted "workmen's compensation" and were thus excludable from gross income. Blackburn received his regular salary under California Labor Code Section 4800 during his absence. The court held that these payments were not workmen's compensation but rather a continuation of his regular salary during a period of incapacity, akin to sick leave, and therefore were includable in his gross income for federal tax purposes. This decision hinged on the specific language and interpretation of the California Labor Code.

Facts

Glen E. Blackburn, a California Highway Patrol officer, sustained injuries in the line of duty on June 24, 1946, causing him to be absent from work until April 1, 1947.
During his absence, Blackburn received his regular salary of $310 per month, totaling $1,953.31 in 1946 and $930 in 1947, pursuant to Section 4800 of the California Labor Code.
The Industrial Accident Commission of California also granted Blackburn a separate permanent disability award of $4,140, payable at $30 per week, which the Commissioner agreed was excludable from gross income.
The dispute centered solely on the salary continuation payments made under Section 4800.

Procedural History

The Commissioner of Internal Revenue determined that the salary continuation payments received by Blackburn were includable in his gross income.
Blackburn petitioned the Tax Court, arguing that these payments were received "under workmen's compensation acts, as compensation for personal injuries" and should be excluded under Section 22(b)(5) of the Internal Revenue Code.
The Tax Court ruled in favor of the Commissioner, holding that the payments were not workmen's compensation.

Issue(s)

Whether payments received by a California Highway Patrol officer pursuant to Section 4800 of the California Labor Code, representing continued salary during a leave of absence for work-related injuries, should be excluded from gross income as

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“workmen’s compensation” under Section 22(b)(5) of the Internal Revenue Code.

Holding

No, because Section 4800 payments are a continuation of regular salary during incapacity, akin to sick leave, and are explicitly designated “in lieu of disability payments,” rather than being payments made under a workmen’s compensation act as contemplated by federal tax law.

Court’s Reasoning

The court emphasized that Section 4800 of the California Labor Code is a special provision for certain Highway Patrol members, compensating them for the hazardous nature of their work by continuing their regular salary if injured. The statute specifically states the leave of absence is “in lieu of disability payments.”
The court cited *Department of Motor Vehicles v. Industrial Accident Commission*, 178 P.2d 43, which interpreted these provisions, noting that payments under Section 4800 are not analogous to workmen’s compensation but are a continuation of regular pay during incapacity.
The court quoted the California District Court: “Such an interpretation, however, produces an immediate conflict with the express provision of Section 4800 that the salary is in lieu of disability payments. If the legislature had intended the salary to be paid as a disability allowance, it undoubtedly would have said so. What it did say is exactly to the contrary and any seeming conflict with this expression must be resolved to give it effect if reasonably possible.”
The court reasoned that the California legislature intended to provide an injured patrolman with full pay for a year in place of any temporary disability allowance, without limiting their right to receive a separate award of permanent disability indemnity.
Because the Section 4800 payments simply continued the patrolman’s regular salary and were distinct from standard workmen’s compensation, they did not qualify for exclusion under Section 22(b)(5) of the Internal Revenue Code.

Practical Implications

This case clarifies the distinction between salary continuation benefits and workmen’s compensation for tax purposes, emphasizing that not all payments related to work-related injuries qualify for exclusion from gross income.
Legal practitioners must carefully examine the specific statutory language and legislative intent behind state laws providing benefits to injured employees to determine whether such benefits are truly in the nature of workmen’s compensation or simply a continuation of salary.
Employers and employees should understand that simply labeling a payment as related to a work-related injury does not automatically qualify it for tax exclusion; the nature of the payment and the specific statute authorizing it are critical.
This case has been cited in subsequent tax cases to distinguish between excludable

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workmen’s compensation benefits and taxable wage replacement payments.

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