18 T.C. 205 (1952)

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When an endowment life insurance policy matures, the face value is excluded from gross income, but accumulated dividends and interest are taxable as ordinary income.

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Summary

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Wong Wing Non held a 20-year endowment life insurance policy. After paying premiums for ten years, he became disabled, and the insurance company waived further premiums. Upon maturity, Wong received the $10,000 face value and $1,648.19 in accumulated dividends and interest. The Tax Court addressed whether the $1,648.19 was taxable income. The court held that the $10,000 face amount was excludable under Section 22(b)(2) and (5) of the Internal Revenue Code, but the $1,648.19 representing accumulated dividends and interest was taxable income.

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Facts

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Wong Wing Non obtained a 20-year endowment life insurance policy in 1925, requiring 20 annual premiums of $568.60. The policy included double indemnity and disability benefits. In 1935, Wong became totally disabled, and the insurance company waived premiums and paid him $100 per month. Upon the policy's maturity in 1945, Wong received $10,000 as the face amount and $1,648.19 as accumulated mutual insurance dividends and interest.

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Procedural History

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The Commissioner of Internal Revenue determined a deficiency in Wong's income tax for 1945, including the excess of the amount received from the maturing policy

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over the premiums paid. The Commissioner conceded that the face amount was excludable but argued the accumulated dividends and interest were taxable. The Tax Court then reviewed the Commissioner’s assessment.

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Issue(s)

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Whether the $1,648.19, representing accumulated dividends and interest upon the endowment policy fund, should be included in the decedent’s gross income for tax purposes.

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Holding

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Yes, because the $1,648.19 constituted

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