21 T.C. 275 (1953)

When a divorce decree specifies payments for both alimony and child support, any reduction in the total payment must be allocated first to child support, and only the remainder is considered alimony for tax purposes.

Summary

In *Blyth v. Commissioner*, the U.S. Tax Court addressed the tax treatment of payments received by a divorced wife when the divorce decree specified amounts for both her support (alimony) and the support of her minor son. The court held that when the husband reduced the total payments below the amount stipulated in the decree, the reduced payments were first allocated to child support. This was in accordance with the Internal Revenue Code which stated that the portion of payments designated for child support is not considered alimony and is not taxable to the recipient. The court determined that the wife had not sufficiently proven she provided over half the support for her child. Therefore, the wife was not entitled to dependency credits. The court also concluded that the Commissioner had incorrectly treated the entire reduced payment as taxable alimony; instead, a portion had to be allocated to child support and excluded from her taxable income.

Facts

Martha J. Blyth received a divorce decree in 1945, requiring her ex-husband to pay $100 per month for her support and $50 per month for the support of their minor son, Robert. The husband reduced his payments to $100 per month, beginning in September 1948. Robert attended a boarding school from September 1948, with his father covering the costs. During that period, Robert periodically visited his mother’s apartment. In her 1948 and 1949 tax returns, Blyth claimed dependency credits for Robert and reported certain amounts as alimony. The Commissioner of Internal Revenue disallowed the dependency credits and reclassified the alimony amounts as taxable.

Procedural History

The case originated in the United States Tax Court after the Commissioner determined deficiencies in Blyth’s income tax for 1948 and 1949. Blyth challenged the Commissioner’s disallowance of dependency credits and the reclassification of the alimony amounts. The Tax Court reviewed the facts and legal arguments, and ultimately issued a decision determining that the Commissioner erred in his calculations.

Issue(s)

1. Whether Blyth contributed over half of her minor son’s support during the tax years 1948 and 1949, entitling her to dependency credits under Section 25(b) of the Internal Revenue Code.

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2. Whether the alimony payments received by Blyth were correctly calculated under Section 22(k) of the Internal Revenue Code, and whether the payments were correctly classified as income.

Holding

1. No, because Blyth failed to demonstrate that she provided over half of her son's financial support during the tax years.

2. Yes, because the $50 per month designated in the divorce decree for child support should not be treated as alimony. The Commissioner was incorrect in treating the full $100 payment as alimony.

Court's Reasoning

The court examined whether Blyth met the requirements for claiming dependency credits for her son under Section 25(b) of the Internal Revenue Code. To qualify, she needed to prove that she provided over half of her son's support. The court found that, although Blyth paid for his clothing, food, and provided a home, the costs of the boarding school (tuition, board, etc.) were paid by the father. Because the amount the ex-husband paid for the school was not quantified, the court concluded that Blyth had not met her burden of proof. The court decided that she had not provided over half the support during either year and denied her the dependency credit.

The court then addressed the alimony issue under Section 22(k) of the Internal Revenue Code, which defines and addresses the taxation of alimony. The court highlighted that Section 22(k) explicitly excludes from the definition of alimony, and therefore excludes from the recipient's taxable income, "that part of any such periodic payment which the terms of the decree or written instrument fix…as a sum which is payable for the support of minor children."

The court stated: "It accordingly follows that, by and under the provisions of section 22 (k), $50 of the payment made to petitioner by her former husband in each month of the years 1948 and 1949 is to be treated as having been paid for the support of their son, Robert, and is not alimony includible in petitioner's gross income within the meaning of that section."

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