22 T.C. 83 (1954)

Alimony payments received by a divorced wife are taxable income to her under Section 22(k) of the Internal Revenue Code, even if the payments are made from the estate of her former husband, and even if the husband's estate had deducted those same payments.

Summary

Daisy M. Twinam received payments from her former husband pursuant to a divorce decree and separation agreement, and after his death from his estate. She was advised by her attorney that these payments were not taxable income, so she did not file a tax return for 1945. The Commissioner determined deficiencies in her income tax for 1945, 1946, and 1947, asserting that the payments were taxable alimony under the Internal Revenue Code and also assessed a penalty for failure to file in 1945. The Tax Court held that the payments were indeed taxable income to Twinam under Section 22(k), rejecting her argument that the application of this section violated the Sixteenth Amendment. The Court also found that Twinam's failure to file for 1945 was due to reasonable cause.

Facts

Daisy M. Twinam divorced J. Courtney Twinam on September 14, 1945. The divorce decree approved a separation agreement where J. Courtney Twinam agreed to pay Daisy $110,000 in installments. He paid $11,749.99 in 1945 and $5,833.30 in 1946 before his death on October 20, 1946. His estate continued payments, providing $1,749.99 in 1946 and $7,000 in 1947. Twinam's attorney, who prepared the divorce documents, advised her, based on his own consultation with a tax expert, that these payments were not taxable. Twinam, relying on this advice, did not file a tax return for 1945.

Procedural History

The Commissioner of Internal Revenue determined deficiencies in Twinam's income tax for 1945, 1946, and 1947, plus a penalty for failure to file in 1945. Twinam petitioned the United States Tax Court, challenging the tax assessment and penalty. The Tax Court heard the case, and issued a ruling in favor of the Commissioner on the taxability of the alimony payments, but in favor of Twinam on the penalty.

Issue(s)

1. Whether the tax imposed on Twinam was levied on income within the meaning of the Sixteenth Amendment to the Constitution.
2. Whether the payments received from her former husband's estate were includible in her gross income.
3. Whether Twinam's failure to file a tax return was due to reasonable cause and not willful neglect.

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Holding

1. Yes, because the payments were taxable income under Section 22(k) of the Internal Revenue Code, and this application does not violate the Sixteenth Amendment.
2. Yes, because the payments from the estate were properly considered alimony under Section 22(k).
3. Yes, because Twinam relied on the advice of counsel, and her failure to file was due to reasonable cause.

Court’s Reasoning

The court began by addressing the constitutionality of Section 22(k) of the Internal Revenue Code, which governs the tax treatment of alimony. Twinam argued that taxing the payments under this provision violated the Sixteenth Amendment, asserting that these payments were not

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