23 T.C. 126 (1954)

When a divorce decree or its amendments mandate alimony and child support payments, the deductibility of alimony is determined by examining the intent of the decrees and considering whether the payments are made in discharge of a legal obligation arising from the marital relationship.

Summary

In *Joslyn v. Commissioner*, the U.S. Tax Court addressed the deductibility of alimony payments made by George R. Joslyn following his divorces. The court examined several divorce decrees and their amendments, determining which payments constituted alimony and which were for child support. The court held that only payments made in discharge of a legal obligation arising from the marital relationship could be deducted as alimony. The court scrutinized the original and amended decrees to ascertain the parties' intent, particularly when amended decrees didn't explicitly allocate payments between alimony and child support. The court also determined the extent to which payments for a step-child were deductible, finding that, based on the divorce decree, those payments were not deductible in the year made, but would be in the following year, when they were required by the decree.

Facts

George R. Joslyn divorced his first wife, Charlotte, in 1940. The divorce decree ordered him to pay $100 per month for alimony and $400 per month for child support. This decree was amended several times. In December 1942, the decree was amended to allow Joslyn to pay $1,000 per month instead of the original payments. Joslyn elected to pay $1,000 per month for a period of time but later reverted to the original payment structure. Subsequent amendments occurred in 1944 and 1947. Joslyn married Ethel N. Joslyn, but they divorced in 1946. The divorce decree included a property settlement agreement requiring Joslyn to pay Ethel $1,000 per year and $500 per year for the support of her son. Joslyn claimed deductions for alimony payments in the years 1942-1948. The Commissioner of Internal Revenue disputed the amount of the claimed deductions.

Procedural History

The Commissioner of Internal Revenue determined deficiencies in Joslyn's income and Victory tax and income tax for several years, disallowing parts of his alimony deductions and asserting an addition to tax for failure to file a return on time. Joslyn contested the Commissioner's determinations. The case was heard by the U.S. Tax Court.

Issue(s)

1. Whether payments made by Joslyn to Charlotte under the amended decrees in

© 2025 SCOTUSreports.com. All rights reserved.

1942 through 1948 included amounts for the support of their minor children, thus reducing the amount deductible as alimony.

2. Whether the payments Joslyn made to Ethel for the support of her son were deductible as alimony.

3. Whether Joslyn was liable for an addition to tax for 1946 for failing to file his return within the time required by law.

Holding

1. Yes, because the original decree and amended decrees should be construed as a whole to determine which payments were for alimony and which were for child support. The court determined that only the amounts clearly designated as alimony or, in some cases, one-fifth of payments where the allocation was not specified, could be deducted. The amounts attributable to child support were not deductible.

2. No, because according to the divorce decree, Joslyn was not obligated to make the payments for the support of Ethel's son until 1947. Therefore, the payments made in 1946 were not deductible.

3. Yes, because Joslyn failed to offer any evidence to show that the failure to file his return on time was due to reasonable cause.

Court's Reasoning

The court's reasoning focused on the interpretation of the divorce decrees and amendments under Illinois law to determine whether payments were made pursuant to a legal obligation arising from the marital relationship. The court cited 26 U.S.C. §22(k), which concerns payments in the nature of alimony. The court looked at the amended decree of December 16, 1942, and found that Joslyn had the option to revert to the original decree. The court determined that his payment of $1,000 per month under the amended decree was a gratuity in excess of his legal obligation. The court held that the portions of the payments allocated for child support were not deductible as alimony. The court also considered the 1944 amended decree and, based on the terms of the original decree, determined the amount deductible as alimony in each year. The court also examined the payments to Ethel and her son, holding that the initial payments were not deductible because the decree specified that the payments would commence the year following the decree.

Practical Implications

This case illustrates the importance of clear and specific language in divorce decrees regarding the allocation of payments between alimony and child support to determine their tax implications. Attorneys drafting these decrees should ensure they explicitly state the nature and purpose of each payment to avoid disputes with the IRS. When amending decrees, attorneys should clearly articulate whether the

© 2025 SCOTUSreports.com. All rights reserved.

amendments change the original payment structure and allocations. The court's emphasis on the legal obligation arising from the marital relationship highlights that voluntary payments beyond the terms of the decree may not be deductible. Further, this case shows that if a decree is silent as to allocating alimony and child support, the court may look to prior decrees for an indicator of the intent of the parties.

© 2025 SCOTUSreports.com. All rights reserved.