Keene v. Commissioner, 31 T.C. 477 (1958)

Payments made pursuant to a separate maintenance decree are only deductible as alimony if the decree has the legal effect of sanctioning or legitimizing the living apart of a husband and wife. Installment payments discharging a principal sum specified in a divorce decree are not considered periodic payments and thus not deductible as alimony.

Summary

This case addresses the deductibility of payments made by a husband to his former wife under two different court orders: a separate maintenance decree and a subsequent divorce decree. The Tax Court held that payments made under the separate maintenance decree were not deductible because the decree did not arise from a legal separation. Furthermore, the court determined that payments made under the divorce decree, which were part of a property settlement and intended to discharge a principal sum, were also not deductible under the Internal Revenue Code. The court emphasized that tax liabilities are determined annually and that the nature of the payment, not its label, determines its deductibility.

Facts

Mr. Keene and his wife, Anna, were separated. Anna sought a decree of "separate maintenance," which was granted by the District Court of the District of Columbia on February 9, 1949. However, the court denied her request for a limited divorce. The order provided for payments to Anna. Later, on March 10, 1950, the District Court granted Mr. Keene an absolute divorce, and the judgment included provisions for further payments to Anna as part of a property settlement. Mr. Keene sought to deduct the payments made under both decrees as alimony on his federal income tax returns for the years in question.

Procedural History

The case began with the Commissioner of Internal Revenue disallowing Mr. Keene's deductions for the payments made under the separate maintenance decree and the divorce decree. The Tax Court reviewed the Commissioner's decision. The case involved a

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