Borax v. Commissioner, 21 T.C. 825 (1954)

Payments made pursuant to a voluntary separation agreement, even if subsequently modified by a court decree solely to increase the payment amounts, are not deductible as alimony under the 1939 Internal Revenue Code because the decree did not alter the marital status.

Summary

The case involved a husband, Borax, who sought to deduct alimony payments made to his wife. The payments were made under a voluntary separation agreement, which was later modified by a New York court to increase the payment amount. The IRS disallowed the deduction, arguing that the payments didn't arise from a divorce or separation decree. The Tax Court agreed, ruling that the court's decree did not constitute a decree of separate maintenance under the 1939 Internal Revenue Code, because the New York court did not address the marital status. The court emphasized that the decree merely modified the existing separation agreement, and did not involve a matrimonial action seeking a legal separation or divorce.

Facts

Mr. and Mrs. Borax entered into a voluntary separation agreement in 1946. The agreement provided for monthly payments from Mr. Borax to Mrs. Borax. The wife later sued for reformation of the agreement, claiming a mutual mistake in the amount of the payments, and asked that the payments be increased. The New York court initially denied this request, but after Mr. Borax consented, a court decree was issued modifying the agreement to increase the payments. Mr. Borax made payments according to the modified agreement and claimed deductions for these payments on his federal income tax returns for 1949 and 1950. The IRS disallowed the deductions, leading to the Tax Court case.

Procedural History

Mr. Borax filed income tax returns for 1949 and 1950, claiming deductions for alimony payments. The Commissioner of Internal Revenue disallowed the deductions and issued notices of deficiency. Mr. Borax petitioned the Tax Court to review the Commissioner's decision. The Tax Court heard the case and issued a ruling in favor of the Commissioner.

Issue(s)

1. Whether payments made under a voluntary separation agreement, reformed by a court decree solely to increase the payment amount, are deductible as alimony under Section 23(u) of the 1939 Internal Revenue Code.

Holding

© 2025 SCOTUSreports.com. All rights reserved.

1. No, because the court decree did not constitute a decree of separate maintenance as required by the Internal Revenue Code.

Court’s Reasoning

The Tax Court focused on the language of Sections 22(k) and 23(u) of the 1939 Internal Revenue Code, which required a decree of divorce or separate maintenance for alimony payments to be deductible. The Court cited that the decree

© 2025 SCOTUSreports.com. All rights reserved.