Lester v. Commissioner, 32 T.C. 354 (1959)

Payments made by a husband to his divorced wife for the support of minor children are not considered alimony and are therefore not deductible by the husband, nor are they taxable income to the wife, if the divorce decree or agreement clearly specifies a sum or portion of the payment for child support.

Summary

In *Lester v. Commissioner*, the Tax Court addressed whether a husband could deduct payments made to his former wife under a divorce decree, and whether the wife was required to include those payments in her gross income. The court examined the divorce agreement, which provided payments for the wife and their children, and specified that payments would be reduced upon the children's marriage, emancipation, or death. The court found that the agreement clearly indicated a portion of the payments was for child support. The court held that because a portion of the payments were clearly designated for child support, the husband could not deduct those portions as alimony, and the wife was not required to include those portions in her income. This case established a principle for distinguishing alimony from child support payments within a divorce decree for tax purposes, emphasizing the importance of clear and specific language.

Facts

Jerry Lester made periodic payments to his divorced wife, Ardell, under a divorce decree. The agreement stated that payments were "for the maintenance and support of her and the aforesaid children." The agreement further stipulated that payments would be reduced by one-sixth upon the marriage, emancipation, or death of any child. The Commissioner determined that one-sixth of the payments were fixed for each child's support. Jerry Lester contested this determination.

Procedural History

The case was initially heard by the Tax Court. The Commissioner determined a portion of the payments were for child support. Lester contested this determination. The Tax Court agreed with the Commissioner and ruled in favor of the Commissioner.

Issue(s)

1. Whether payments made by Jerry Lester to Ardell Lester were deductible by Jerry Lester as alimony under Section 23(u) of the Internal Revenue Code of 1939.

2. Whether Ardell Lester was required to include the payments in her gross income under Section 22(k) of the Internal Revenue Code of 1939.

Holding

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1. No, because the divorce decree and agreement indicated a portion of the payments was for child support, and such payments are not deductible alimony.

2. No, because the amounts were not considered alimony, they were not includable in the wife’s gross income.

Court’s Reasoning

The court relied on the intention of Congress when enacting tax laws related to divorce and alimony. Congress intended to allow the husband to deduct alimony payments and require the wife to report these payments as income. However, Congress did not intend to allow deductions for amounts used for child support. Section 22(k) provided that child support payments were not alimony if the divorce decree

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