Blate v. Commissioner, 34 T.C. 121 (1960)

Payments made to a former spouse are considered alimony, deductible by the payer, if they are made because of the marital or family relationship, even if the payments coincide with a property settlement.

Summary

The case concerns whether certain monthly payments made by a husband to his former wife were deductible as alimony. The Commissioner argued that the payments were, in essence, part of a property settlement, not alimony, and therefore not deductible. The Tax Court found that the payments were indeed alimony because they were made because of the marital relationship and were intended for the wife's support and maintenance, even though the agreement also involved a transfer of property. The Court looked to the intent of the parties, as evidenced by the separation agreement's terms and the circumstances surrounding its creation. The court held that, since the agreement specified that the payments were for support, and were subject to certain contingencies, they constituted alimony and were therefore deductible by the husband.

Facts

Jerome Blate and his wife, Janet, divorced. As part of a separation agreement, Jerome agreed to make monthly payments to Janet. In exchange, Janet transferred her stock in several corporations to Jerome. The agreement stated the payments were "for her maintenance and support." The payments were to cease upon Janet's death, Jerome's death (with provisions for continuation after his death via life insurance), or upon Janet's receipt of payments from life insurance policies on her father's life. The Commissioner of Internal Revenue disallowed Jerome's deduction of the payments as alimony, arguing they were part of a property settlement.

Procedural History

The Commissioner determined deficiencies in the Blates' income taxes for 1954 and 1955, disallowing the deductions claimed for the monthly payments. The Blates petitioned the United States Tax Court, challenging the Commissioner's decision. The Tax Court heard the case, considering the facts and arguments presented by both sides.

Issue(s)

Whether the monthly payments made by Jerome to Janet were deductible as alimony under the Internal Revenue Code.

Holding

Yes, because the payments were made for Janet's support and maintenance and

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were incurred because of the marital relationship, making them alimony under the relevant sections of the Internal Revenue Code, and thus deductible by Jerome.

Court’s Reasoning

The Tax Court analyzed whether the payments met the requirements of the Internal Revenue Code provisions concerning alimony. The court considered if the payments were “periodic” and made pursuant to a written instrument incident to divorce. The Court found that the payments were periodic, as they were made monthly over more than ten years. The critical question was whether the payments were made

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