Jackson v. Commissioner, 54 T. C. 125 (1970)

Payments made in satisfaction of a spouse's property rights in lieu of a division of jointly acquired property are not deductible as alimony.

Summary

In Jackson v. Commissioner, the U. S. Tax Court ruled that payments made by Lewis Jackson to his deceased ex-wife's heirs were not deductible as alimony under IRC § 71. The court determined that these payments were made in lieu of a division of property acquired during the marriage, as required by Oklahoma law, rather than as alimony. This case illustrates the importance of distinguishing between payments for property division and those intended for spousal support when determining tax deductibility.

Facts

Lewis Jackson was granted a divorce from his wife, Louise, in Oklahoma due to her fault. The divorce decree awarded Louise specific property and a $100,000 judgment, payable in $500 monthly installments, described as being "in lieu of any further division of the properties owned by the parties hereto, and in the nature of permanent alimony. " Louise died before the payments were completed, and Jackson continued making the payments to their children, her heirs. Jackson claimed these payments as alimony deductions on his tax returns.

Procedural History

The Commissioner of Internal Revenue disallowed the deductions, asserting the payments were for property division, not alimony. Jackson petitioned the U. S. Tax Court for a redetermination of the deficiency.

Issue(s)

1. Whether the payments made by Jackson to his deceased ex-wife's heirs qualify as alimony under IRC § 71(a)(1) and are therefore deductible under IRC § 215.

Holding

1. No, because the payments were made in satisfaction of property rights under Oklahoma law and were not alimony.

Court's Reasoning

The court examined Oklahoma law, which mandates a division of jointly acquired property upon divorce. Since the divorce was granted due to the wife's fault, she was not entitled to alimony unless she would become a public charge, which was not the case. The court found that the $100,000 judgment was intended to satisfy the

© 2025 SCOTUSreports.com. All rights reserved.

wife’s interest in the marital property, not to provide for her support. The court emphasized that the nature of the payments must be determined by all the circumstances, not merely the labels used in the decree. The court cited prior cases to support its distinction between property division and alimony payments.

Practical Implications

This decision clarifies that payments made in lieu of a property division are not deductible as alimony, even if labeled as such in a divorce decree. Attorneys should carefully analyze the intent and legal basis of divorce-related payments to advise clients accurately on their tax implications. This ruling may affect how divorce settlements are structured, particularly in states with laws similar to Oklahoma’s regarding the division of marital property. It also highlights the importance of considering state law when determining the tax treatment of divorce payments under federal law.

© 2025 SCOTUSreports.com. All rights reserved.