Healey v. Commissioner, 54 T. C. 1702 (1970)

Payments made by a husband to his wife after a restraining order but before a specific court order or written agreement are not deductible as alimony under sections 71 and 215 of the Internal Revenue Code.

Summary

In Healey v. Commissioner, the U. S. Tax Court ruled that payments made by John S. Healey to his wife after a restraining order but before a temporary support order were not deductible as alimony. Healey had been ordered to live apart from his family but was not directed to make payments until a later temporary support order. The court held that for payments to be deductible as alimony, they must be made pursuant to a specific court order or written agreement, not just a general legal obligation to support.

Facts

John S. Healey and Kathryn S. Healey were married and had three children. On February 14, 1966, Kathryn filed for separate maintenance and obtained a restraining order requiring John to live apart from the family. No support order was issued at that time. Kathryn's attorney proposed a separation agreement, but John refused to sign it. On November 9, 1966, a temporary support order was issued, directing John to pay Kathryn $250 biweekly. John paid a total of $5,591 in 1966, of which $1,000 was paid after the support order. He claimed the entire amount as a deduction for alimony on his tax return.

Procedural History

John Healey filed a petition in the U. S. Tax Court contesting a deficiency determined by the Commissioner of Internal Revenue. The Commissioner argued that the payments made before the temporary support order were not deductible as alimony. The Tax Court heard the case and issued its decision on September 1, 1970.

Issue(s)

1. Whether payments made by John Healey to Kathryn Healey after a restraining order but before a temporary support order constitute alimony or separate maintenance payments deductible under section 215 of the Internal Revenue Code?

Holding

1. No, because the payments were not made pursuant to a decree of divorce or separate maintenance or a written separation agreement as required by section 71 of the Internal Revenue Code.

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Court’s Reasoning

The court reasoned that for payments to be deductible as alimony under section 215, they must be includible in the wife’s gross income under section 71. Section 71 requires that the payments be made under a decree of divorce or separate maintenance or a written separation agreement. The court emphasized that the obligation to pay must be imposed or incurred under such a decree or agreement, not merely under general state law obligations. The restraining order did not direct John to make payments, and no written agreement was executed. The court rejected John’s argument that the restraining order, combined with his general obligation to support his family under Colorado law, was equivalent to a decree of separate maintenance. The court cited regulations and legislative history supporting the requirement for a specific decree or agreement. It also referenced case law indicating that payments must be made pursuant to the same decree under which the wife is legally separated.

Practical Implications

This decision clarifies that for payments to be deductible as alimony, they must be made under a specific court order or written agreement, not just under a general legal obligation to support. Attorneys should advise clients that voluntary payments made before such an order or agreement are not deductible. This ruling impacts how divorce and separation agreements are structured, as parties must ensure that any support obligations are formalized in writing or by court order to qualify for tax deductions. The case also has implications for tax planning in divorce situations, emphasizing the need for clear, documented agreements or orders regarding support payments.

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