Donigan v. Commissioner, 73 T. C. 368 (1979)

A taxpayer separated from their spouse under a written separation agreement, but not under a decree of divorce or separate maintenance, is still considered married for tax filing purposes.

Summary

James F. Donigan contested the IRS's determination that he was not eligible to file his 1973 tax return as an unmarried individual under section 1(c) of the IRC, despite being separated from his wife under a written agreement. The Tax Court held that Donigan remained classified as married for tax purposes because he was not separated under a decree of divorce or separate maintenance as required by section 143(a)(2). The court emphasized the distinction between a contractual separation agreement and a judicial decree, ruling that only the latter qualifies an individual as unmarried for tax filing status. This decision underscores the necessity of a court decree for altering marital status in the context of tax law.

Facts

James F. Donigan and his wife Rita began living apart on April 11, 1964, and in June 1964, they executed a written separation agreement. During the tax year 1973, they continued to live separately. Neither party had filed for divorce, separation, or annulment by the end of 1973. Donigan filed his 1973 tax return as a single individual, claiming he was unmarried under the terms of the separation agreement.

Procedural History

The IRS assessed a deficiency in Donigan's 1973 tax return, asserting he should have filed as a married individual. Donigan conceded one adjustment but contested his filing status. The case was submitted fully stipulated to the Tax Court, which upheld the IRS's position, ruling that Donigan's separation agreement did not qualify him as unmarried for tax purposes.

Issue(s)

1. Whether a taxpayer separated from their spouse under a written separation agreement, but not under a decree of divorce or separate maintenance, is considered unmarried for tax filing purposes under section 1(c) of the IRC?

Holding

1. No, because under section 143(a)(2) of the IRC, an individual is considered married unless legally separated under a decree of divorce or separate maintenance, which was not the case for Donigan.

Court's Reasoning

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The court applied sections 1(c) and 143 of the IRC, which define the criteria for an individual to be considered unmarried for tax purposes. The court noted that the regulations must be sustained unless unreasonable and plainly inconsistent with the revenue statutes. It cited examples from the regulations demonstrating that a separation agreement without a corresponding court decree does not change one's marital status for tax purposes. The court rejected Donigan's argument that his separation agreement under New York law should be treated equivalently to a judicial separation, emphasizing that the IRC explicitly requires a decree of divorce or separate maintenance. The court also referenced prior cases like Quinn v. Commissioner and Kellner v. Commissioner, which supported the ruling that a written separation agreement alone does not suffice to change marital status for tax filing. The court concluded that without a statutory amendment, it could not expand the law to treat contractual separation agreements the same as judicial decrees for filing purposes.

Practical Implications

This decision clarifies that for tax filing status, a written separation agreement is insufficient to change an individual's marital status from married to unmarried without a corresponding court decree. Attorneys advising clients on tax matters must ensure that any separation agreement is accompanied by a court decree of divorce or separate maintenance to qualify for unmarried filing status. This ruling may influence how taxpayers and their advisors approach separation agreements and the timing of seeking judicial decrees. It also highlights the need for legislative action to change the current law if the treatment of separation agreements is to be altered for tax purposes. Subsequent cases such as Shippole v. Commissioner have reinforced this holding, indicating its lasting impact on tax law and practice.

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