## *Yoakum v. Commissioner, 74 T. C. 137 (1980)*

Payments labeled as ‘alimony’ in a divorce decree are not necessarily deductible as support; they must be periodic and for support rather than a property settlement to qualify under IRC sections 71 and 215.

### Summary

In Yoakum v. Commissioner, the Tax Court examined whether payments made by Jack R. Yoakum to his former wife, Glenda R. Yoakum, under their divorce decree were deductible as alimony under IRC sections 71 and 215. The court held that these payments were not deductible because they were not periodic and were part of a property settlement rather than support. The key issue was whether the payments were contingent on events like death or remarriage, and whether they were for support. The court found that the payments were fixed and not subject to the required contingencies, thus failing to meet the criteria for alimony under the tax code.

### Facts

Jack R. Yoakum filed for divorce from Glenda R. Yoakum in January 1977. The divorce decree, entered in February 1977, required Yoakum to pay Glenda $3,000 as alimony over 12 months, along with a $2,000 lump sum and a car. Glenda later sought to vacate the decree, alleging mental incompetence and disproportionate property division. The court modified the decree in October 1977, increasing the alimony to $4,800, payable over 24 months. Yoakum claimed a deduction for these payments on his 1977 tax return, which the IRS challenged.

### Procedural History

Yoakum filed a timely tax return for 1977, claiming a deduction for alimony payments. The IRS issued a deficiency notice, and Yoakum petitioned the Tax Court. The court reviewed the divorce decree and subsequent modifications, ultimately determining the nature of the payments under the tax code.

### Issue(s)

1. Whether the payments made by Yoakum to his former wife under the divorce decree were deductible as alimony under IRC sections 71 and 215.

### Holding

1. No, because the payments were not periodic and were part of a property settlement rather than support.

### Court’s Reasoning

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The Tax Court applied IRC sections 71 and 215, which allow deductions for alimony if the payments are periodic and for support. The court found that the payments in question were not periodic because they were fixed and not subject to the contingencies of death, remarriage, or change in economic status as required by the regulations. The court noted that under Oklahoma law, the term ‘alimony’ could refer to both support and property division, and the decree did not specify the payments as support. The court also considered objective factors indicative of a property settlement, such as the fixed sum, lack of relation to Yoakum’s income, continuation despite death or remarriage, and the relinquishment of property interests by Glenda. The court concluded that the payments were a property settlement and not deductible as alimony.

**Practical Implications**

This decision underscores the importance of clearly defining payments in divorce decrees as support or property settlements, especially for tax purposes. Attorneys drafting divorce agreements should ensure that payments intended as alimony meet the criteria of being periodic and contingent on specific events like death or remarriage. This case highlights the need for careful consideration of state law and federal tax regulations when structuring divorce settlements. Subsequent cases have continued to apply this distinction, impacting how divorce agreements are negotiated and structured to achieve desired tax outcomes.

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