Take v. Commissioner, 82 T. C. 638 (1984)

An irrebuttable presumption of occupational causation in a disability benefits ordinance does not qualify the payments as excludable from gross income under Section 104(a)(1) of the Internal Revenue Code.

Summary

In Take v. Commissioner, the Tax Court addressed whether disability payments received by a police officer under an Anchorage, Alaska ordinance could be excluded from his gross income under Section 104(a)(1). The ordinance provided benefits for occupational disabilities, including an irrebuttable presumption that certain illnesses were work-related. The court held that this irrebuttable presumption did not meet the criteria for a statute in the nature of a workmen's compensation act, thus denying the exclusion of these payments from gross income. This decision underscores the importance of a clear causal link between employment and disability for tax exclusion purposes.

Facts

Thomas Take, a police officer, received $15,385 in disability payments from the Anchorage Retirement Plan for Police Officers and Fire Fighters after being granted temporary and permanent occupational disability benefits. The ordinance under which these benefits were awarded included an irrebuttable presumption that heart, lung, and respiratory illnesses were occupationally related. Take sought to exclude these payments from his gross income under Section 104(a)(1), which allows for such exclusions for amounts received under workmen's compensation acts or similar statutes for personal injuries or sickness.

Procedural History

Take filed a motion for summary judgment in the Tax Court to exclude the disability payments from his gross income, while the Commissioner of Internal Revenue also filed a motion for summary judgment to include them. The Tax Court denied both motions, finding genuine issues of material fact regarding which provision of the ordinance the payments were made under.

Issue(s)

1. Whether the Anchorage ordinance providing for disability benefits with an irrebuttable presumption of occupational causation qualifies as a statute in the nature of a workmen's compensation act under Section 104(a)(1).

Holding

1. No, because the ordinance's irrebuttable presumption does not sufficiently limit the criteria for compensability to meet the requirement that the statute allow

© 2025 SCOTUSreports.com. All rights reserved.

disability payments solely for service-related personal injury or sickness.

Court’s Reasoning

The Tax Court applied the principle that Section 104(a)(1) exclusions apply to statutes in the nature of workmen’s compensation acts, which must compensate solely for service-related injuries or sickness. The court found that the ordinance’s irrebuttable presumption of occupational causation for certain illnesses did not meet this standard, as it did not require a causal link between the employment and the disability. The court distinguished this from other statutes that allow for rebuttable presumptions or require specific proof of occupational causation. The court emphasized that while state workmen’s compensation laws recognize increased risks of certain diseases for firefighters and police officers, they do not establish irrebuttable presumptions. The court quoted from the ordinance to illustrate the irrebuttable presumption and noted the absence of any authority or evidence to suggest it was rebuttable.

Practical Implications

This decision impacts how disability benefits under similar municipal ordinances or plans are treated for tax purposes. It clarifies that an irrebuttable presumption of occupational causation does not automatically qualify payments for tax exclusion under Section 104(a)(1). Legal practitioners must carefully analyze the criteria of such statutes to determine their eligibility for tax exclusions. This ruling may influence the drafting of future disability benefit ordinances to ensure compliance with tax laws. It also affects the tax planning of public safety employees receiving such benefits, who must consider the tax implications of their disability payments. Subsequent cases involving similar statutes may need to address whether a rebuttable presumption or other criteria can satisfy the requirements of Section 104(a)(1).

© 2025 SCOTUSreports.com. All rights reserved.