Baldwin v. Commissioner, 84 T. C. 859 (1985)

Social Security survivor benefits do not constitute support provided by the recipient for the purpose of income averaging eligibility under section 1303(c)(1) of the Internal Revenue Code.

Summary

Brett Graham Baldwin, a full-time student, received Social Security survivor benefits and sought to use them as part of his support for income averaging purposes under section 1303 of the IRC. The Tax Court ruled that these benefits, intended as a substitute for lost parental support, were not provided by Baldwin himself. The court emphasized that income averaging is meant for members of the workforce, not full-time students, and upheld the denial of income averaging. Additionally, the court rejected Baldwin's constitutional challenge to the age-related exceptions in the statute and imposed penalties for failure to file and negligence in tax reporting.

Facts

Brett Graham Baldwin, a resident of Scottsdale, Arizona, received Social Security and Veterans' Administration survivor benefits from 1975 to 1978 due to his father's death. During this period, Baldwin was a full-time student at Arizona State University, graduating in 1978. He also received scholarships, grants, loans, and wages from a work-study program and later full-time employment. Baldwin claimed these benefits as part of his support to qualify for income averaging under section 1303 of the Internal Revenue Code for his 1979 tax year.

Procedural History

The Commissioner of Internal Revenue determined a deficiency in Baldwin's 1979 tax liability and issued a statutory notice. Baldwin filed a petition in the U. S. Tax Court, challenging the deficiency and asserting that he was eligible for income averaging. The Tax Court held a trial and issued its opinion on May 15, 1985.

Issue(s)

1. Whether amounts received from the Social Security Administration as survivor benefits constitute "support" provided by the recipient for purposes of income averaging under section 1303(c)(1) of the Internal Revenue Code.
2. Whether the age-related exception to the support requirement in section 1303(c)(2)(A) of the Internal Revenue Code is unconstitutional.
3. Whether Baldwin is liable for additions to tax for failure to file, negligence, and underpayment of estimated tax.

Holding

1. No, because the Social Security survivor benefits were provided by the Federal

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Government as a substitute for lost parental support, not by Baldwin himself.
2. No, because the age-related exception in section 1303(c)(2)(A) is rationally related to the legitimate governmental purpose of limiting income averaging to members of the workforce.
3. Yes, because Baldwin failed to file a valid return and did not prove reasonable cause for his failure to file or pay estimated taxes, and his actions constituted negligence.

Court's Reasoning

The court reasoned that the Social Security benefits were intended to replace the support Baldwin would have received from his father had he lived, not as support provided by Baldwin. The court distinguished Baldwin's case from dependency exemption cases under section 152, noting that the purpose of income averaging is to provide relief to members of the workforce, not full-time students. The court also rejected Baldwin's constitutional challenge, finding that the age-related exception was rationally related to the statute's purpose. The court upheld the additions to tax, finding no reasonable cause for Baldwin's failure to file or pay estimated taxes, and that his actions were negligent.

Practical Implications

This decision clarifies that Social Security survivor benefits do not count as support provided by the recipient for income averaging purposes, limiting the use of such benefits to qualify for income averaging. It reinforces that income averaging is intended for members of the workforce, not full-time students, which may affect how similar cases are analyzed. The ruling also serves as a reminder of the importance of filing valid tax returns and paying estimated taxes, as failure to do so can result in significant penalties. Subsequent cases may reference Baldwin when addressing the eligibility for income averaging and the treatment of government benefits as support.

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