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CURRENT DEVELOPMENTS IN TAXATION

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WHEN INSURANCE PREMIUMS ARE ALIMONY PAYMENTS

In some cases life insurance policy premiums paid by the husband may be deducted by him as alimony. The test seems to be whether immediate benefits accrue to the wife, and the apparent clarity of the statute cannot be relied upon. Some decisions on this subject permitting deduction of life insurance premiums by the husband are as follows:

If the wife becomes the irrevocable beneficiary by an absolute assignment. IT 4001, PH 76254.

If the premiums are paid out of trust income assigned by the husband to the wife if she is the beneficiary and sole owner of the policy. *Stewart,* 9 T C 195.

If the insurance premiums by agreement are paid out of and subtracted from a portion of the husband's income required to be paid to the wife. *Estate of Hart,* 11 T C 16.

If the agreement bound the husband to assign a policy absolutely to the wife and bound him to pay premiums thereon during the remainder of his life. *Carmichael,* 14 T. C. 154.

The premiums may not be deducted if the assignment of the policy was merely to secure performance of other provisions, nor where the wife is merely a contingent beneficiary.

RELIEF FOR CORPORATE TAXPAYER UNDER SECTION 102

At last some relief for a corporate taxpayer against Section 102 has been recognized by the Tax Court. In *National Yarn Corp.,* T. C. Memo. No. 19451, the taxpayer had approximately $650,000 in net quick assets at the end of 1944, including net income of $43,000 for that year on sales of $2,000,000. Only $88,000 represented accounts receivable, against $375,000 in the last pre-war year. Because of the cash purchases by its customers the amount needed to finance sales had been reduced, but the taxpayer believed substantial sums would be needed after the war for that purpose.

Until 1941 the taxpayer was short of capital and borrowed to the limit of its bank credit for working capital to finance accounts receivable. The taxpayer had plans for erecting a building, but in 1948 the expense thereof was so great that it purchased another building instead of erecting its own. Although the taxpayer had paid no dividends over a long period of increasing earnings, the Tax Court held it had sufficient reasons for not declaring a dividend in the taxable year in question.