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THE TAX LAWYER

Aug. 5 2012 — 12:10 am

Depression, Dollars And Jesse Jackson's Struggle

Reports that Jesse Jackson, Jr. is under [Treatment for Depression](#) at the Mayo Clinic raised considerable speculation about drug or alcohol addiction, even suicide attempts. But all that's untrue; he's simply ["completely debilitated by depression,"](#) says his [wife](#). Many voice concerns about his return to Congress and the upcoming Democratic National Convention. A House Ethics Committee investigation linking him to jailed former Gov. Rod Blagojevich hasn't helped.

Hopefully Jackson will fully recover but depression can be hard to treat. What's more, its medical status can raise big issues when payments must be characterized for tax purposes. Should a diagnosis of depression be considered physical, mental, or both? That issue was front and center in the Tax Court case, [Blackwood v. Commissioner](#).

Julie Blackwood was a trainer for Siemens at a Charleston hospital. She trained hospital personnel on computer programs for patient medical information. But when her own son was admitted to the hospital and she



saw the program being ignored she accessed his medical records. That violated the law and she was fired.

As a result, she relapsed into a depression she previously had overcome. Her symptoms included insomnia, oversleeping, migraines, nausea, vomiting, weight gain, acne, and pain in her back, shoulder and neck. She resumed counseling sessions and incurred some medical expenses. Claiming wrongful termination, she settled for \$100,000.

Her settlement agreement said the payment was for “alleged damages for illness and medical expenses allegedly exacerbated by, and allegedly otherwise attributable to” her wrongful discharge. She did not report the \$100,000 as income. When the IRS said the payment was taxable, she went to Tax Court.

Blackwood argued the settlement was tax-free for physical injury or physical sickness just like an injury accident. Her primary authority was another Tax Court case, [Domeny](#). There, an employee with multiple sclerosis beat the IRS in court after settling with her employer for stress that exacerbated her MS. See [Tax-Free Physical Sickness Recoveries in 2010 and Beyond](#).

Exacerbation of her depression qualified as a physical injury or physical sickness, she claimed. But the IRS said she simply had symptoms of emotional distress so the money was taxable. Unlike [Domeny](#), Blackwood didn't have a medical diagnosis and didn't have medical testimony detailing her physical problems.

Plus, her symptoms weren't as serious as those [Domeny](#) suffered. Blackwood's own testimony attributing her insomnia, oversleeping, migraines, vomiting, and weight gain to her depression wasn't enough. In [Domeny](#), a physician determined she was too ill to work. Blackwood only had a counselor's letter that claimed “increased levels of anxiety and depressive symptoms.”

Blackwood may have been suffering from depression. She may even have had physical symptoms from it. However, her settlement didn't qualify as tax-free. Bottom line: one can argue whether depression is physical, mental or both. But in tax disputes, having good records and documentation can make all the difference.

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