SUPREME COURT OF TENNESSEE

Iris Kay Snodgrass v. Robert H. Snodgrass

295 S.W.3d 240 (Tenn. 2009) · No. E2007-00576-SC-R11-CV · Decided May 5, 2009

SUMMARY

The Tennessee Supreme Court addresses the classification and division of premarital and marital interests in the parties' 401(k) accounts and defined-benefit pensions in a divorce proceeding. The Court holds that 401(k) accounts are employment-related retirement or fringe benefits, that net increases in value during the marriage are marital property, and that premarital balances remain separate property. The Court also holds that a single withdrawal for marital purposes did not transmute the entire 401(k) account and upholds division of the pensions based on monthly benefit payments.

CASE DETAILS

COURT	Supreme Court of Tennessee
WRITING FOR THE COURT	Cornelia A. Clark; Janice M. Holder; William C. Koch, Jr.; Sharon G. Lee; Gary R. Wade
JURISDICTION	Tennessee
DECIDED	May 5, 2009
DOCKET	E2007-00576-SC-R11-CV
DISPOSITION	other
PROCEDURAL POSTURE	Husband appealed the classification and division of the parties' 401(k) accounts and defined-benefit pensions in a divorce proceeding. The Tennessee Supreme Court granted permission to appeal under Tennessee Rule of Appellate Procedure 11.
STANDARD OF REVIEW	Classification of property as separate or marital is a question of fact reviewed de novo with a presumption of correctness. Trial-court legal conclusions receive no presumption of correctness. Decisions concerning division of marital assets are given great weight and will not be disturbed unless unsupported by the evidence, based on a misapplication of statutory requirements or procedures, or infected by legal error. The equitable division of marital pension benefits is reviewed for abuse of discretion and upheld unless clearly unreasonable.

PRECEDENTIAL VALUE	Published Tennessee Supreme Court opinion; binding statewide precedent.
PARTIES	Robert H. Snodgrass v. Iris Kay Snodgrass

TOPICS

equitable distribution · community property · statutory interpretation · family law procedure · appellate procedure

PRACTICE AREAS

family law · divorce · equitable distribution · retirement benefits

QUESTIONS PRESENTED

1. Whether employer-sponsored 401(k) accounts are retirement or other fringe-benefit rights relating to employment under Tennessee Code Annotated section 36-4-121(b)(1)(B).
2. Whether the entire net increase in the 401(k) accounts during the marriage, including appreciation attributable to premarital balances, is marital property.
3. Whether Husband's withdrawal of $180,000 for a marital purpose transmuted his entire 401(k) account, including the premarital balance, into marital property.
4. Whether the trial court was required to value the parties' currently payable defined-benefit pensions by present cash value rather than by the monthly payments being received.

HOLDINGS

1. A 401(k) account held through a spouse's employer is a retirement or other fringe-benefit right relating to employment under Tennessee Code Annotated section 36-4-121(b)(1)(B).
2. The entire net amount by which the parties' employer-sponsored 401(k) accounts increased in value during the marriage, regardless of whether the increase resulted from active contributions or passive investment appreciation and regardless of whether it was attributable to premarital balances, is marital property.
3. Husband's withdrawal of $180,000 from his 401(k) account for the purchase of a marital home did not transmute the entire account, including the premarital balance, into marital property.
4. The trial court did not abuse its discretion by dividing the marital portions of the parties' defined-benefit pensions according to the monthly payments each spouse was receiving rather than by calculating present cash values.

KEY QUOTATIONS

> *"If the property at issue is deemed to fit within this second clause of (b)(1)(B), then the entire net increase in value of that property that accrues during the marriage, through whatever means or methods, is deemed marital, even if the property contains an element of separate property."* (at 251)

> *"We clarify today that 401(k) accounts held through a spouse's employer are "retirement or other fringe benefit rights relating to employment.""* (at 252)

> *"Accordingly, net gains from any source accruing in such accounts during a marriage are all marital property within the meaning of the second clause of section 36-4-121(b)(1)(B), and it is not necessary to consider the relative contributions of the parties to the increase in value."* (at 252)

> *"There is no basis for concluding that Husband's withdrawal of the $180,000 for the marital home transmuted his premarital balance into marital property."* (at 257)

FACTUAL BACKGROUND

The parties married in July 1982, each having an Alcoa 401(k) account established before marriage. Husband's premarital balance was approximately $54,000 and Wife's was approximately $17,000; both continued making contributions and received employer contributions during the marriage. At divorce, Husband's account was approximately $2.301 million and Wife's approximately $691,000, and Husband had withdrawn $180,000 during the marriage toward the purchase of the marital home. Both parties were also receiving defined-benefit pension payments when the trial court divided the marital portions of their pensions by equalizing monthly payments.

PROCEDURAL HISTORY

The trial court granted the parties a divorce and reserved division of their 401(k) accounts and defined-benefit pensions. It classified each premarital 401(k) balance as separate property, classified all growth during the marriage as marital property, divided the marital growth equally, and divided the marital pension benefits by equalizing the monthly payments. The Court of Appeals held that not all 401(k) growth was marital, concluded that Husband's withdrawal transmuted his entire account into marital property, remanded concerning Wife's account, and affirmed the pension ruling. The Tennessee Supreme Court affirmed in part and reversed in part.

DISPOSITION

other

CASES CITED

- Langford v. Langford, 421 S.W.2d 632, 634 (Tenn. 1967)
- Cutsinger v. Cutsinger, 917 S.W.2d 238, 241 (Tenn. Ct. App. 1995)
- Keyt v. Keyt, 244 S.W.3d 321, 327-29 (Tenn. 2007)
- Eldridge v. Eldridge, 137 S.W.3d 1, 12 (Tenn. Ct. App. 2002)
- Batson v. Batson, 769 S.W.2d 849, 857 (Tenn. Ct. App. 1988)
- Umstot v. Umstot, 968 S.W.2d 819, 822 (Tenn. Ct. App. 1997)
- Franklin v. Franklin, C/A No. 03A01-9410-CV-00364, 1995 WL 371573, at *2 (Tenn. Ct. App. June 21, 1995)
- McKee v. McKee, No. M1997-00204-COA-R3-CV, 2000 WL 666363, at *3 (Tenn. Ct. App. May 23, 2000)
- Langschmidt v. Langschmidt, 81 S.W.3d 741, 747, 749-50 (Tenn. 2002)

- Harrison v. Harrison, 912 S.W.2d 124, 127 (Tenn. 1995)
- Cohen v. Cohen, 937 S.W.2d 823, 827-31 (Tenn. 1996)
- Avery v. Avery, No. M2000-00889-COA-R3-CV, 2001 WL 775604, at *9 & n.12 (Tenn. Ct. App. July 11, 2001)
- Broadbent v. Broadbent, 211 S.W.3d 216, 220 (Tenn. 2006)
- State v. Black, 815 S.W.2d 166, 197 (Tenn. 1991) (Reid, C.J., concurring in part and dissenting in part)
- Tidwell v. Collins, 522 S.W.2d 674, 676-77 (Tenn. 1975)
- Marsh v. Henderson, 424 S.W.2d 193, 196 (Tenn. 1968)
- Pedine v. Pedine, No. E2008-00571-COA-R3-CV, 2009 WL 585943, at *6 (Tenn. Ct. App. Mar. 9, 2009)
- Curry v. Curry, No. M2007-02446-COA-R3-CV, 2008 WL 4426895, at *10 (Tenn. Ct. App. Sept. 18, 2008)
- White v. White, No. E2006-00595-COA-R3-CV, 2007 WL 63602, at *4 (Tenn. Ct. App. Jan. 10, 2007)
- Nash v. Nash, No. E2002-01597-COA-R3-CV, 2003 WL 21706297, at *3 (Tenn. Ct. App. July 18, 2003)
- Norman v. Norman, No. M2001-02796-COA-R3-CV, 2003 WL 724677, at *6 (Tenn. Ct. App. Mar. 4, 2003)