3 T.C. 708 (1944)

Income from a trust is taxable to the beneficiary who is determined to be the owner of the trust corpus, even if the legal determination of ownership occurs after the income is earned, provided the beneficiary's identity was not contingent on future events.

Summary

This case addresses whether income from a trust should be taxed to the trust itself as income accumulated for "unascertained persons" or to the beneficiary who was later determined to be the rightful owner of the trust corpus. The court held that the income was taxable to the beneficiary, Chapman, because his identification as the owner was not dependent on future contingencies, but rather on the correct application of existing law. The Orphans' Court decision simply clarified Chapman's ownership from the date of his father's death.

Facts

Francis Chapman died on May 2, 1939, leaving a will that established a trust. A dispute arose regarding the interpretation of the will, specifically whether Chapman's son, the petitioner, would inherit the entire corpus or a portion thereof under his mother's will. During the period from Francis Chapman's death until March 6, 1940, income from the trust corpus accumulated. On March 6, 1940, the Orphans' Court adjudicated that the petitioner was the sole owner of the entire trust corpus from the date of his father's death. The Commissioner of Internal Revenue sought to tax the trust income earned between January 1 and March 6, 1940, to the petitioner.

Procedural History

The Commissioner determined that the income from the trust was taxable to the petitioner. The petitioner contested this determination, arguing that the income was accumulated for

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