5 T.C. 183 (1945)

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Payments to a nonresident alien for serial rights to a story are considered royalties, taxable as income, rather than proceeds from the sale of property.

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Summary

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Sax Rohmer, a nonresident alien, received a lump sum payment from an American publisher for the first and second American and Canadian serial rights to his book. The Tax Court addressed whether this payment constituted taxable income and if Rohmer could deduct expenses related to the income. The court held that the payment was a royalty for the use of serial rights, taxable as income sourced within the United States. It further determined that Rohmer could not deduct agent commissions or claim a personal exemption because his income did not meet the threshold for such deductions.

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Facts

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Sax Rohmer, a British subject residing in England, was a nonresident alien for U.S. tax purposes. He engaged Paul R. Reynolds & Son as his exclusive literary agent in the United States. Rohmer’s agent secured an offer of $10,000 from McFadden Publications for the first and second American and Canadian serial rights to his story,

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