Arnold v. Commissioner, 47 B.T.A. 1030 (1942)

To establish a new domicile for tax purposes, a taxpayer must demonstrate both physical presence in the new location and a clear intention to make that location their permanent home.

Summary

The petitioner, Arnold, sought to treat income earned in Texas as community property, which required him to establish a Texas domicile. The Board of Tax Appeals determined that while Arnold resided in Texas for approximately nine months, he never established a permanent home there, as his family remained in Florida. His actions and communications indicated uncertainty about permanently relocating to Texas. As such, the Board concluded that Arnold's domicile remained in Florida, and he could not treat his income as community property under Texas law. The Board also disallowed certain business expense deductions due to lack of substantiation and connection to an existing trade or business.

Facts

In 1940, Arnold's established residence and domicile was in Florida.
In 1941, Arnold worked on constructing a shipyard in Houston, Texas for about nine months.
His family remained in Florida, visiting him briefly in the summer of 1941, then rented a house in Santa Fe, New Mexico.
They visited him again on their way back to Florida before the school year.
Arnold lived primarily in a hotel room in Texas during this period.
In November 1941, Arnold's responsibilities shifted to New York, where he eventually moved his family in May 1942.
Arnold also claimed deductions for expenses related to investigating the possibility of entering the cattle business.

Procedural History

The Commissioner of Internal Revenue determined that Arnold's income should be taxed based on his Florida domicile. Arnold appealed to the Board of Tax Appeals, arguing he had established a Texas domicile and was entitled to community property treatment. The Board of Tax Appeals upheld the Commissioner's determination.

Issue(s)

1. Whether Arnold abandoned his Florida domicile and established a new domicile in Texas, thereby entitling him to report income as community income under Texas law.
2. Whether the expenses claimed by Arnold were ordinary and necessary business expenses deductible under Section 23(a)(1)(A) of the Internal Revenue Code.

© 2025 SCOTUSreports.com. All rights reserved.

Holding

1. No, because Arnold's family never resided with him in Texas, his residence was transitory, and he never took positive steps to abandon his Florida home and establish a new home in Texas.
2. No, because Arnold did not demonstrate that he was actively engaged in carrying on a cattle business and failed to substantiate the claimed expenses with sufficient evidence.

Court's Reasoning

Regarding domicile, the court cited *Texas v. Florida, 306 U.S. 398, 424*, stating, "Residence in fact, coupled with the purpose to make the place of residence one's home, are the essential elements of domicile." The court emphasized that changing one's domicile is a "serious matter" requiring "very satisfactory evidence" of intent, and that residence alone is insufficient.

The court found that Arnold's residence in Texas was

© 2025 SCOTUSreports.com. All rights reserved.