8 T.C. 1261 (1947)

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Under Louisiana law, a wife's paraphernal property is not considered under the management of her husband, requiring the income to be taxed as community property, unless she relinquishes control and allows him to manage it as if it were his own.

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Summary

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Mary Louise Guste, a Louisiana resident, contested a tax deficiency, arguing that half of her income from paraphernal property (inherited property not brought into the marriage) should be taxed as her husband's community property. Her paraphernal property primarily consisted of a one-third interest in "Antoine's" Restaurant, leased to her brother, Roy Alciatore. The Tax Court held that despite her husband's involvement as an attorney for the family and the restaurant, the evidence did not demonstrate that he administered her paraphernal property to the extent required for it to be considered community property. Thus, the income was taxable to Mary Louise Guste alone.

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Facts

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Mary Louise Guste inherited a one-third interest in "Antoine's" Restaurant and other properties from her father. "Antoine's" was leased to her brother, Roy, who managed its operations. The lease agreement stipulated that profits, after covering expenses and a monthly payment to Roy, would be deposited into a joint account (the "Roy L. Alciatore, Agent" account), owned equally by the three heirs (Mary Louise and her two brothers, Roy and Jules). Mary Louise's husband, William J. Guste, was an attorney who provided legal services to "Antoine's" and the Alciatore family. He also kept the checkbook for the "Roy L. Alciatore Agent" account, and prepared checks but Roy L. Alciatore signed them. Mary Louise testified that she trusted her husband implicitly and did not require reports from him regarding her estate.

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Procedural History

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The Commissioner of Internal Revenue determined a deficiency in Mary Louise Guste's individual income tax for 1941. Mary Louise and her husband had filed separate returns, splitting their income on a community property basis. The Commissioner argued that all of the income, including that from Mary Louise's paraphernal property, was taxable to her. The Tax Court reviewed the case to determine whether the income should be treated as community property or as the wife's separate income.

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Issue(s)

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Whether, under Louisiana law, Mary Louise Guste's husband had the "administration" of her paraphernal property to such an extent that half of the income from it should be reported as his community share.

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Holding

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No, because the evidence did not demonstrate that Mary Louise's husband exercised sufficient control and management over her paraphernal property to qualify as

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