8 T.C. 1255 (1947)

In Louisiana community property law, income from a wife's separate property (paraphernal property) is considered community income if the husband administers the property, not merely acts as her agent, but manages it as if it were his own.

Summary

Melanie Marks, a Louisiana resident, owned separate property inherited from her family. The IRS assessed a tax deficiency against her, claiming all income from this property was solely taxable to her. Marks argued that her husband administered the property, making the income community income, half of which was taxable to him. The Tax Court held that based on the husband's active management and control over the wife's paraphernal property, the income was community income and should be taxed accordingly, favoring the petitioner.

Facts

Melanie Marks (Petitioner) was a resident of Louisiana and owned paraphernal property inherited from her mother and father, consisting primarily of stock in family corporations and interests in a family business pool.

Her husband, Sidney Marks, managed the Louisiana agency of Prudential Insurance Co. until he entered military service in 1942.

After her father's death in 1939, Sidney Marks became a director in Charles Dennery, Inc. and Vesoul Realty & Investment Co., corporations in which Petitioner held stock, and a manager of the family business pool, "M. Dennery et als.", in which she had a significant interest. He held these positions solely to manage his wife's interests.

Petitioner maintained separate bank accounts, but her husband was involved in the oversight of her property and business interests.

The income from Petitioner's paraphernal property was reported as community income, but the Commissioner of Internal Revenue sought to tax it entirely to Petitioner.

Procedural History

The Commissioner of Internal Revenue determined deficiencies in Melanie Marks' individual income taxes for 1939, 1940, and 1941.

Marks petitioned the Tax Court to redetermine the deficiencies, arguing that the income from her separate property was community income and thus only half taxable to her.

© 2025 SCOTUSreports.com. All rights reserved.

Issue(s)

1. Whether, under Louisiana law, Petitioner’s husband

© 2025 SCOTUSreports.com. All rights reserved.