Estate of Fokker v. Commissioner, 10 T.C. 1225 (1948)

Domicile is established by residing in a place, even briefly, with no definite present intention of leaving; once established, domicile continues until a new one is acquired with the intent to abandon the old.

Summary

The Tax Court addressed whether Anthony Fokker, a Dutch citizen, was domiciled in the United States at the time of his death for estate tax purposes. The Commissioner argued Fokker was a U.S. resident; the estate claimed he had abandoned his U.S. domicile for Switzerland. The court held that Fokker maintained his U.S. domicile because he never demonstrated the intent to abandon it, despite spending considerable time in Switzerland. The court also addressed the valuation of Dutch guilder assets in light of wartime currency restrictions.

Facts

Anthony Fokker, a Dutch citizen, established a domicile in the U.S. around 1926 or 1927. He maintained homes in the U.S. staffed with servants. He purchased "Ober Alpina," a residence in St. Moritz, Switzerland, in 1935. Fokker spent considerable time in Switzerland for business and health reasons, entertaining clients and officials at Ober Alpina. He repeatedly stated to immigration officials that his residence was in New York or New Jersey. In his will, he described himself as "a citizen of the Kingdom of the Netherlands, temporarily sojourning in the United States of America." Shortly before his death, he stated on a Dutch passport application that his domicile was Nyack, New York.

Procedural History

The Commissioner of Internal Revenue determined that Fokker was a resident of the United States for estate tax purposes and assessed a deficiency. The Estate petitioned the Tax Court for a redetermination, contesting both Fokker's residency and the valuation of certain assets.

Issue(s)

1. Whether Fokker abandoned his U.S. domicile and established a new domicile in Switzerland.
2. What rate of exchange should be used to convert Dutch guilders into American dollars for estate tax valuation purposes, given wartime currency restrictions?

Holding

1. No, because Fokker never demonstrated an intent to abandon his U.S. domicile, despite his activities and property in Switzerland.
2. The value of the blocked Dutch guilders should be converted at 5 cents per

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guilder, reflecting their value in the United States due to wartime restrictions on currency exchange.

Court’s Reasoning

The court reasoned that establishing domicile requires residence in a place with no definite present intention of leaving. Once established, the old domicile remains until a new one is acquired with the intent to abandon the old. The court found that Fokker’s activities in Switzerland, including purchasing and maintaining Ober Alpina, were primarily for business and health reasons and did not demonstrate a clear intent to abandon his U.S. domicile. The court noted Fokker’s repeated statements to immigration officials, his maintenance of U.S. homes, and his final statement regarding his domicile on a passport application as evidence supporting its conclusion. The court gave little weight to the statement in his will, finding it ambiguous. Regarding the guilder valuation, the court applied the principle that blocked currency should be valued at what could be realized in the U.S., given the restrictions in place at the valuation date. Citing *Morris Marks Landau, 7 T.C. 12* and *Estate of Ambrose Fry, 9 T.C. 503*, the court reasoned that the value to be included in the decedent’s estate could not exceed the value that could be realized in the United States.

Practical Implications

This case illustrates the importance of intent when determining domicile, particularly for individuals with international ties. It emphasizes that maintaining a residence and conducting business in a foreign country does not automatically establish domicile there; the individual must demonstrate a clear intent to abandon their previous domicile. The case also provides guidance on valuing assets subject to currency restrictions for estate tax purposes, focusing on the realizable value in the relevant market. Later cases applying Fokker may focus on the weight given to statements of intent versus objective actions in determining domicile. The decision impacts estate planning for multinational individuals, requiring careful consideration of domicile to minimize tax liabilities. The case emphasizes the need to evaluate all evidence, including actions, statements, and business activities, to determine a person’s true intent regarding domicile.

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