***11 T.C. 471 (1948)***

A grantor is taxable on the income of a trust where the grantor retains substantial control over the trust, effectively remaining the owner of the property for tax purposes, despite nominally transferring it to a trust.

**Summary**

Howard Kay created two trusts, one for his wife and one for his children, naming himself as trustee. The IRS Commissioner argued Kay should be taxed on the trust income because he retained significant control over the trust assets. The Tax Court agreed, holding that Kay's broad powers as trustee and his familial relationship with the beneficiaries meant he effectively remained the owner of the trust assets, aligning with the precedent set in *Helvering v. Clifford*. This case demonstrates how the IRS scrutinizes trusts where the grantor retains considerable control.

**Facts**

- Howard Kay's father, C.H. Kay, died, leaving an estate including a one-third interest in Anderson's Butter Krust Bakeries.
- On December 29, 1941, Kay created a trust (

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