25 T.C. 293 (1955)

A taxpayer's domicile is determined by examining their residence combined with the intention to remain there, particularly when dealing with community property tax benefits.

Summary

The U.S. Tax Court considered whether Paul Gordon Whitmore was domiciled in Arizona, a community property state, during the tax years in question, entitling him to community property tax treatment. The court reviewed Whitmore's history, work assignments, family residence, and stated intentions to determine his domicile. The court found that Whitmore was domiciled in Arizona, despite his extended absences due to work, because he consistently expressed an intent to return. The court also addressed whether returns filed on a single form, but clearly intended to be separate, could be treated as such for community property purposes, concluding that the intention of the taxpayers, manifested on the return, controlled.

Facts

Paul Gordon Whitmore, born in Arizona, worked for various companies across different states from 1923 to 1947. He filed tax returns for 1943-1947, claiming community property benefits. His family resided in Arizona, and he visited them during his vacations. Whitmore's work assignments took him away from Arizona for extended periods. Whitmore owned inherited property in Arizona but never voted or participated in civic activities there during the relevant years. Whitmore filed individual returns in Arizona for 1939 and 1940. The Commissioner of Internal Revenue determined Whitmore was not domiciled in Arizona and denied the community property treatment.

Procedural History

The Commissioner of Internal Revenue determined tax deficiencies against Whitmore for the years 1943-1947. Whitmore filed a petition with the U.S. Tax Court to challenge these deficiencies. The Tax Court considered the evidence presented, including Whitmore's history, travel, and intent, and ruled in favor of the petitioner.

Issue(s)

1. Whether Paul Gordon Whitmore was domiciled in Arizona during the tax years in question, allowing him to claim community property tax benefits.

2. Whether joint tax returns filed on a single form, which clearly indicated separate income for each spouse, should be treated as separate returns for community property purposes.

Holding

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1. Yes, because the court found Whitmore's domicile was in Arizona, based on his intent and ties to the state.

2. Yes, because the court determined that the taxpayers' clear intent, as shown on the returns, to file separately on a community property basis was sufficient.

Court's Reasoning

The court applied established principles of domicile, stating that the legal definition involves both residence and intent. The court cited, "A domicile once acquired is presumed to continue until it is shown to have been changed. Where a change of domicile is alleged the burden of proving it rests upon the person making the allegation. To constitute the new domicile two things are indispensable: First, residence in the new locality; and, second, the intention to remain there. The change cannot be made except *facto et animo*." The court found that although Whitmore worked elsewhere, his actions showed a clear intention to maintain his Arizona domicile, including his wife and children living there, his prior income tax returns showing Arizona as his address, and his vacations spent with his family in Arizona. Regarding the second issue, the court referenced its previous rulings, stating that "Whether or not a return, even though combined in form in a single document, is intended to be joint or separate is a matter of the intention of the taxpayers adequately manifested on the return." The court found that Whitmore and his wife clearly indicated on their returns that they intended to treat their income as community property, despite using a single form.

Practical Implications

This case emphasizes the importance of establishing domicile for tax purposes. The ruling demonstrates that intent can be inferred from a person's actions and statements, even if they live and work in different locations. Attorneys handling similar cases must gather all evidence of a client's ties to a location, including their family's location, vacation habits, property ownership, and statements of intent. Furthermore, the case provides guidance on how to report income when taxpayers file their returns jointly, while still claiming the benefits of community property. This case indicates that clear communication on the tax return of the separate allocation of income is critical. The Court's reasoning further provides that the intention of the parties, as it is demonstrated on the return, controls the characterization of whether a return should be treated as a joint or separate return. This should be carefully considered when providing tax advice. Later cases may cite *Whitmore* to establish domicile or to analyze taxpayers' intent in community property contexts.

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