***Philippe v. Commissioner*, 23 T.C. 996 (1955)**

Determining a taxpayer's residency status, particularly for alien seamen, requires a careful examination of the individual's subjective intent as revealed by objective facts, considering specific regulations and the totality of circumstances.

Summary

The case concerns the determination of Philippe's resident alien status for tax purposes under the Internal Revenue Code. Philippe, a seaman of Canadian birth but of Belgian ancestry, worked on various ships, primarily British and American, during and after World War II. The court addressed whether he was a resident alien of the United States, thereby subject to U.S. income tax on worldwide income, or a nonresident alien, taxable only on U.S.-sourced income. The Tax Court considered his prolonged absence from the U.S., his limited connections to the country, and his expressed intentions, holding that Philippe was a nonresident alien from 1944 to 1948 but became a resident alien in 1949 when he applied for citizenship and began to plan for a permanent stay in the US.

Facts

Philippe, born in Canada, spent a few years in the U.S. as a child before moving to Belgium. During World War II, he served as a seaman on British and American ships, traveling extensively. He spent limited time in the U.S., often staying with his father between voyages. In 1949, he returned to the U.S., applied for citizenship, and began studying for a marine engineer's license. He filed forms for naturalization where he stated he had resided in New York since 1943. The Commissioner determined that he was a resident alien during the tax years 1944-1949 and assessed tax deficiencies.

Procedural History

The Commissioner of Internal Revenue determined deficiencies in Philippe's income tax for the years 1944-1949, arguing he was a resident alien. Philippe contested this determination in the United States Tax Court, claiming he was a nonresident alien. The Tax Court considered the evidence and issued an opinion.

Issue(s)

1. Whether Philippe was a nonresident alien within the meaning of Section 212(a) of the Internal Revenue Code of 1939 for the years 1944 to 1948.

2. Whether Philippe was a resident alien in 1949.

Holding

1. No, because during the years 1944 to 1948, Philippe's limited time spent in the

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U.S. and his clear intentions as a seaman did not establish residency.

2. Yes, because Philippe's filing for citizenship and plans to live permanently in the U.S. in 1949 indicated a change in his residency status.

Court's Reasoning

The Court applied the regulations concerning alien seamen. The Court emphasized that the determination of residency hinges on the individual's subjective intent, ascertained through objective facts. The regulations state that "Residence may be established on a vessel regularly engaged in coastwise trade, but the mere fact that a sailor makes his home on a vessel flying the United States flag and engaged in foreign trade is not sufficient to establish residence in the United States". Philippe's extended time at sea and his transient nature, coupled with limited connections to the U.S. and his intent not to reside in the U.S. during the earlier years, indicated non-residency. The court noted that "the question is whether petitioner was a resident of the United States. A conclusion that he was not a resident of this country does not require that we determine in what other country, if any, was his residence." The Court considered his actions and statements in 1949, including filing for citizenship and stating his plans to stay in New York, as evidence of an intent to establish residency. It quoted the regulations: "The filing of Form 1078 or taking out first citizenship papers is proof of residence in the United States from the time the form is filed or the papers taken out, unless rebutted by other evidence showing an intention to be a transient."

Practical Implications

This case is significant for its detailed analysis of residency requirements, especially for transient workers like seamen. It highlights the importance of establishing objective evidence of an individual's subjective intent. Attorneys handling similar cases should: (1) gather and analyze all facts regarding the taxpayer's physical presence and intentions; (2) understand that tax residency is not necessarily linked to citizenship or immigration status and (3) carefully evaluate any statements or filings made by the taxpayer, as these can serve as strong evidence, even if the taxpayer later claims a misunderstanding. This case underscores the importance of the fact-specific inquiry in determining residency and the need to consider all aspects of an individual's circumstances. The case remains a strong precedent when determining residency for income tax purposes and the importance of weighing objective facts with an individual's subjective intent.

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