Martin v. Commissioner, 50 T. C. 59 (1968)

Antarctica is not a "foreign country" under IRC section 911(a)(2), thus earnings from services there are not exempt from U. S. income tax.

Summary

Larry R. Martin, an auroral physicist, sought to exclude his 1962 earnings from U. S. income tax under IRC section 911(a)(2), which exempts income earned in a foreign country. Martin worked in Antarctica, a region not governed by any single nation. The Tax Court held that Antarctica does not qualify as a "foreign country" because it lacks sovereignty by any government, as stipulated by the Department of State and the applicable regulations. Consequently, Martin's income was not exempt, emphasizing the necessity of a recognized sovereign government for the tax exemption to apply.

Facts

Larry R. Martin, an auroral physicist, was employed by the Arctic Institute of North America from October 29, 1961, to March 26, 1963. During this period, he participated in an Antarctic expedition, spending most of his time at Byrd Station, Antarctica. His total income for 1962 was $7,000, earned entirely from his work in Antarctica. Martin claimed this income was exempt from U. S. income tax under IRC section 911(a)(2), which excludes income earned by U. S. citizens in a foreign country after meeting specific presence requirements. Antarctica is a region around the South Pole, comprising land, ice, and adjacent waters, and is not governed by a single sovereign nation. The U. S. and other countries signed a treaty effective June 23, 1961, that put aside sovereignty claims and designated Antarctica for peaceful scientific exploration.

Procedural History

The Commissioner of Internal Revenue determined a deficiency of $1,282 in Martin's 1962 income tax. Martin petitioned the U. S. Tax Court, arguing his earnings in Antarctica should be exempt under IRC section 911(a)(2). The Tax Court heard the case and issued its opinion on April 15, 1968.

Issue(s)

1. Whether Antarctica constitutes a "foreign country" within the meaning of IRC section 911(a)(2), thereby exempting Martin's earnings from U. S. income tax.

Holding

1. No, because Antarctica is not under the sovereignty of any government, as defined by the regulations and the Department of State's position.

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Court’s Reasoning

The Tax Court relied on the definition of “foreign country” in the Treasury Regulations, which specifies territory under the sovereignty of a government other than the United States. The court noted the Department of State’s position that Antarctica is not under any government’s sovereignty, and that the waters surrounding Antarctica are considered high seas. The court found no reason to deviate from the regulations, which were deemed a reasonable interpretation of the statute. The court also referenced prior case law, such as *Frank Souza*, which emphasized the importance of recognized sovereignty for tax exemption purposes. The court concluded that since Antarctica does not meet the definition of a “foreign country,” Martin’s earnings were not exempt from U. S. income tax.

Practical Implications

This decision clarifies that for income to be exempt under IRC section 911(a)(2), it must be earned in a territory recognized as a “foreign country” with a sovereign government. Legal practitioners should advise clients that working in areas like Antarctica, which lack recognized sovereignty, does not qualify for this tax exemption. This ruling may impact the tax planning of individuals and organizations involved in scientific expeditions or other activities in Antarctica and similar regions. Subsequent cases or legislation could potentially address tax treatment for income earned in unclaimed territories, but until then, this decision stands as a precedent for denying exemptions in such cases.

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