Taira v. Commissioner, 51 T. C. 662 (1969)

A federal employee's domicile is determined by evaluating multiple factors, including intent to return to a former state and establishment of ties in a new location, even if that location is outside any U. S. state.

Summary

In Taira v. Commissioner, the U. S. Tax Court addressed whether Lincoln T. Taira, a federal employee working in Okinawa since 1947, could exclude half his income as community property under California law. Taira argued he remained a California domiciliary. The court, applying criteria from District of Columbia v. Murphy, found Taira had established a domicile in Okinawa due to his long-term residence, family ties, and lack of economic connections to California. Consequently, Taira was not entitled to exclude any portion of his income as community property, affirming the Commissioner's determination of tax deficiencies for the years 1960-1962.

Facts

Lincoln T. Taira, a U. S. citizen, moved to Okinawa in 1947 under a 12-month contract with Atkinson & Jones Construction Co. to work for the U. S. Army. After the contract, he continued employment with the Department of Air Force and later the Department of the Army, remaining in Okinawa. He married Yukiko, an Okinawan native, in 1948, and they had four children born in Okinawa. Taira established a home there, with title in Yukiko's name, and became involved in local organizations. His parents also moved to Okinawa. Taira maintained some ties to California, voting there sporadically and sending his eldest son to college in California, but had no property or business interests there.

Procedural History

The Commissioner of Internal Revenue determined deficiencies in Taira's federal income taxes for 1960, 1961, and 1962, disallowing his exclusion of half his income as community property under California law. Taira petitioned the U. S. Tax Court, which held a trial and ultimately decided in favor of the Commissioner.

Issue(s)

1. Whether Lincoln T. Taira was domiciled in California during the years 1960-1962, thus entitling him to exclude half his income as community property under California law?

Holding

1. No, because Taira had established a domicile in Okinawa prior to the years in issue, evidenced by his long-term residence, family ties, and lack of significant connections to California.

Court’s Reasoning

The court applied the criteria from District of Columbia v. Murphy to determine Taira’s domicile. Key factors included Taira’s intent to return to California, which the court found lacking due to his 21-year residence in Okinawa, his family’s integration into Okinawan society, and his lack of economic ties to California. The court noted Taira’s progression from temporary to more permanent living arrangements in Okinawa, his social integration, and his statement that he would consider employment elsewhere if offered, indicating a lack of fixed intent to return to California. The court concluded that Taira’s sentimental attachment to California was insufficient to maintain domicile there.

Practical Implications

This decision clarifies the factors used to determine domicile for federal employees working outside U. S. states. It underscores the importance of evaluating an individual’s entire life circumstances, including family ties, property ownership, and social integration, when assessing domicile. For legal practitioners, this case emphasizes the need to thoroughly analyze a client’s ties to both their former and current residences. Businesses employing federal workers abroad should be aware that such employees may establish domicile in their work location, affecting their tax obligations. Subsequent cases have cited Taira for its application of the Murphy criteria in determining domicile for tax purposes.

