Bunn v. Commissioner, 55 T. C. 271 (1970)

Dependency exemptions for students are limited to children of the taxpayer, not extending to other relatives like grandchildren, despite IRS instructions.

Summary

In Bunn v. Commissioner, the U. S. Tax Court ruled that grandparents could not claim dependency exemptions for their college student grandsons who earned over $600 in gross income, as the tax law restricts such exemptions to the taxpayer's own children. The court clarified that IRS instructions, which appeared to broadly allow exemptions for students, did not supersede the specific statutory language limiting exemptions to children. This decision underscores the importance of adhering to statutory definitions over potentially misleading tax instructions.

Facts

Fred L. and Magdalene E. Bunn sought to claim dependency exemptions for their grandsons, Stanley and Bennie, who were full-time college students in 1968. Each grandson earned more than $600 in gross income that year, excluding scholarships. The Bunns provided over half of their grandsons' support but were denied the exemptions by the IRS. The Bunns argued that the IRS instructions accompanying their tax return suggested that any student could qualify for the exemption regardless of gross income, but the Commissioner disagreed, citing the statutory definition of a "child. "

Procedural History

The IRS issued a notice of deficiency to the Bunns for the 1968 tax year, disallowing the claimed dependency exemptions for their grandsons. The Bunns filed a petition with the U. S. Tax Court to contest the deficiency. The court, after considering the arguments and applicable law, ruled in favor of the Commissioner.

Issue(s)

1. Whether the Bunns were entitled to claim dependency exemptions for their college student grandsons who earned more than $600 in gross income during the taxable year.

Holding

1. No, because under section 151(e)(1)(B) of the Internal Revenue Code, only a taxpayer's own child who is a student may have gross income exceeding $600 and still qualify as a dependent. The grandsons did not meet this definition of "child. "

Court's Reasoning

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The court applied section 151(e)(1)(B) of the Internal Revenue Code, which allows dependency exemptions for students with gross income over $600 only if they are the taxpayer's children. The court rejected the Bunns' reliance on IRS instructions, which mentioned students without specifying the relationship requirement. The court noted that the instructions were ambiguous but not in conflict with the statute, emphasizing that a "child" under the law is specifically defined as a son, stepson, daughter, or stepdaughter. The court also acknowledged the Bunns' good faith but concluded that statutory language must be followed. The decision reflects the court's commitment to statutory interpretation over potentially misleading administrative guidance.

Practical Implications

This decision clarifies that taxpayers cannot claim dependency exemptions for non-child relatives, even if they are students, if their gross income exceeds $600. Legal practitioners must advise clients to carefully review statutory definitions rather than relying solely on IRS instructions. This case may impact how taxpayers plan for supporting relatives through education, as they cannot claim exemptions for non-child students with significant income. Subsequent cases, such as *Marion E. Thompson v. Commissioner* (1975), have reinforced this principle, emphasizing the need for strict adherence to statutory language in dependency exemption claims.

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