Estate of Roodner v. Commissioner, 64 T. C. 680 (1975)

The term ‘entire taxable year’ in Section 911(a)(1) of the Internal Revenue Code includes a short taxable year for a decedent, allowing exclusion of foreign earned income.

Summary

Theodore Roodner, a U. S. citizen and attorney working in Argentina, died on June 25, 1971. His estate sought to exclude income earned in Argentina from his final tax return under Section 911(a)(1), which requires foreign residency for an ‘entire taxable year. ‘ The Tax Court held that Roodner’s period from January 1 to June 25, 1971, constituted his ‘entire taxable year,’ allowing the exclusion despite being less than 12 months. This ruling emphasized the statutory definition of ‘taxable year’ and rejected the Commissioner’s argument for a minimum 12-month requirement, impacting how similar cases involving deceased taxpayers’ foreign earnings should be analyzed.

Facts

Theodore Roodner, a U. S. citizen and attorney employed by Kaiser Aluminum Technical Services, Inc. , was assigned to work in Buenos Aires, Argentina. He left the U. S. on November 1, 1970, and remained in Argentina until his death on June 25, 1971. During the period from January 1 to June 25, 1971, Roodner was a bona fide resident of Argentina and earned $22,999. 03 from his employment there. His estate filed his final income tax return for this period, claiming an exclusion of $9,643. 82 under Section 911(a)(1) of the Internal Revenue Code, which was disallowed by the Commissioner, leading to the dispute.

Procedural History

The estate filed a petition with the U. S. Tax Court after the Commissioner determined a deficiency in Roodner’s final income tax return for the period from January 1 to June 25, 1971. The Tax Court reviewed the case and issued its opinion on July 30, 1975, holding in favor of the estate.

Issue(s)

1. Whether the period from January 1, 1971, through June 25, 1971, constitutes the ‘entire taxable year’ for the purpose of the foreign earned income exclusion under Section 911(a)(1) of the Internal Revenue Code.

Holding

1. Yes, because the period from January 1, 1971, through June 25, 1971, was the decedent’s ‘entire taxable year’ as defined by Sections 441(b)(3) and 7701(a)(23) of the Internal Revenue Code, allowing the estate to exclude the foreign earned income

© 2025 SCOTUSreports.com. All rights reserved.

under Section 911(a)(1).

Court's Reasoning

The Tax Court relied on the statutory definition of 'taxable year' found in Sections 441(b)(3) and 7701(a)(23), which clearly state that a 'taxable year' includes the period for which a return is made, even if it is less than 12 months. The court rejected the Commissioner's argument that 'entire taxable year' should imply a minimum 12-month period, emphasizing that Congress could have specified such a requirement but chose not to. The court also reviewed legislative history and prior case law, concluding that the change in the statute was aimed at preventing tax evasion through temporary absences from the U. S. , not at imposing a 12-month minimum. The court cited cases like *Donald H. Nelson* and *Donald F. Dawson* to support its interpretation, noting that these cases upheld the literal language of Section 911(a)(1). Additionally, the court dismissed concerns about potential abuse, stating that the circumstances requiring a short taxable year are typically beyond the taxpayer's control.

Practical Implications

This decision clarifies that the term 'entire taxable year' in Section 911(a)(1) includes a short taxable year for a decedent, allowing estates to exclude foreign earned income even if the decedent did not live through a full 12 months. This ruling impacts how tax practitioners should analyze similar cases, particularly those involving deceased taxpayers who earned income abroad. It reinforces the importance of statutory definitions and the need to adhere to the literal language of tax code provisions. The decision may influence future cases involving the foreign earned income exclusion and could affect the tax planning of expatriates and their estates. Subsequent cases and IRS guidance should continue to consider this precedent when addressing similar issues.

© 2025 SCOTUSreports.com. All rights reserved.