Lane-Burslem v. Commissioner, 70 T. C. 613 (1978)

A married woman's domicile for tax purposes is determined by the domicile of her husband unless she can prove a separate domicile under Louisiana law, affecting the application of community property laws.

Summary

Iona Sutton Lane-Burslem, a Louisiana native working overseas, claimed Louisiana domicile despite living with her British husband in England. The Tax Court held that under Louisiana law, a married woman's domicile is generally that of her husband, and Lane-Burslem failed to rebut this presumption. Therefore, she could not claim that half her income was her husband's, subjecting her to tax on her full income. This case illustrates the application of state community property laws to federal tax obligations and the challenges of proving a separate domicile for tax purposes.

Facts

Iona Sutton Lane-Burslem, a Louisiana native, worked as a teacher for the U. S. Department of Defense in England. She married Eric Lane-Burslem, a British national, in 1964 and lived with him in England. Despite spending summers in Louisiana and maintaining ties there, she claimed Louisiana domicile for tax purposes. The IRS challenged this, asserting her domicile was England, thus affecting the application of community property laws to her income.

Procedural History

Lane-Burslem filed a petition in the U. S. Tax Court challenging the IRS's determination of a deficiency in her 1971 income taxes. The IRS argued that Lane-Burslem was domiciled in England, not Louisiana, and thus could not claim community property tax benefits. The Tax Court ruled in favor of the IRS, holding that Lane-Burslem failed to rebut the presumption that her domicile was that of her husband in England.

Issue(s)

1. Whether, under Louisiana law, Lane-Burslem could establish a separate domicile from her husband, Eric Lane-Burslem, for tax purposes?
2. Whether the IRS's determination of Lane-Burslem's domicile as England was void due to alleged unconstitutional discrimination based on sex?

Holding

1. No, because Lane-Burslem failed to rebut the presumption that a married woman's domicile is that of her husband under Louisiana law, and thus could not claim community property tax benefits.
2. No, because even if the IRS's determination was influenced by a sex-based

distinction in Louisiana law, the deficiency notice was not void as the IRS is not required to determine the constitutionality of state law before issuing a notice of deficiency.

Court’s Reasoning

The Tax Court applied Louisiana Civil Code Annotated article 39, which states that a married woman has no other domicile than that of her husband. Despite Lane-Burslem’s arguments for a separate domicile, the court found she did not meet the burden of proof to rebut this presumption. The court also considered the policy of marital unity under Louisiana law, which supports the idea of a single family domicile. The court noted that even if Louisiana law allowed for separate domiciles, Lane-Burslem’s income earned outside Louisiana would not be subject to community property laws. The court declined to void the deficiency notice, stating that the IRS need not administratively determine the constitutionality of state law before issuing such notices.

Practical Implications

This decision impacts how married couples with different domiciles are treated under community property laws for federal tax purposes. It highlights the importance of state law in determining domicile and the challenges of proving a separate domicile, particularly for married women. Legal practitioners must carefully consider state domicile laws when advising clients on tax issues related to marriage and residency. The ruling also underscores that the IRS’s notices of deficiency are generally not voided based on alleged unconstitutional state law applications, emphasizing the IRS’s broad discretion in tax determinations. Subsequent cases have referenced Lane-Burslem when addressing similar domicile and community property tax issues.

