Manning v. Commissioner, 73 T. C. 34 (1979)

A taxpayer does not qualify as head of household when a dependent child's principal place of abode is elsewhere due to a custody arrangement.

Summary

In Manning v. Commissioner, the Tax Court ruled that Richard Manning could not claim head of household status for 1974 because his daughter lived with her mother under a temporary custody order for the entire year. The key issue was whether Manning's home was the principal place of abode for his daughter despite her absence. The court held that a custody arrangement resulting in a child's absence for the entire tax year does not constitute a 'special circumstance' under the tax code, thus Manning's home was not his daughter's principal place of abode. This decision clarifies the requirements for head of household status when a dependent is absent due to legal custody arrangements.

Facts

Richard Michael Manning's wife, Marsha Lee Manning, moved out of their marital home in March 1973 and filed for divorce in April 1973. In June 1973, a Michigan court granted temporary custody of their daughter to Marsha, who retained custody throughout 1973 and 1974. Manning filed his 1974 tax return as head of household, claiming his daughter as a dependent despite her living with her mother. The IRS issued a deficiency notice for 1973 and 1974, and after dismissing the 1973 claim for lack of jurisdiction, focused on Manning's 1974 head of household status.

Procedural History

The IRS issued a deficiency notice for Manning's 1973 and 1974 taxes on January 31, 1977. Manning filed a petition with the Tax Court on March 31, 1977. The IRS moved to dismiss the 1973 claim on February 26, 1979, which was granted, leaving only the 1974 claim for head of household status to be determined. The case was reassigned to Judge Sterrett in June 1979 and was submitted under Rule 122, with all facts stipulated.

Issue(s)

1. Whether Richard Manning qualifies as a head of household for the 1974 tax year under section 2(b), I. R. C. 1954, when his daughter lived with her mother under a temporary custody order for the entire year.

Holding

1. No, because Manning's daughter established a separate habitation with her mother for the entire 1974 tax year, and her absence from Manning's home was not a 'special circumstance' or necessary absence contemplated by the statute or

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regulation.

Court’s Reasoning

The court applied the definition of ‘head of household’ from section 2(b)(1)(A) of the Internal Revenue Code, which requires the taxpayer’s home to be the principal place of abode for a qualifying dependent. The court also considered section 143(b), which treats certain married individuals living apart as unmarried for head of household status, and section 1. 2-2(c)(1) of the Income Tax Regulations, which specifies that a taxpayer must occupy the household with the dependent for the entire taxable year, except for temporary absences due to special circumstances. The court found that Manning’s daughter’s absence under a custody order for the entire year did not qualify as a ‘special circumstance’ or necessary absence as intended by Congress and outlined in the regulations. The court cited historical legislative intent and previous case law (Grace v. Commissioner, 51 T. C. 685 (1969)) to support its interpretation. The court concluded that Manning could not reasonably expect his daughter to return to his home during 1974, and thus his home was not her principal place of abode.

Practical Implications

This decision emphasizes the importance of a dependent’s actual residence for head of household status. Taxpayers with children absent due to custody arrangements must carefully consider whether their home remains the child’s principal place of abode. The ruling suggests that even temporary custody orders can change the principal place of abode if the child does not return to the taxpayer’s home within the tax year. Legal practitioners should advise clients to document any temporary absences and maintain a household in anticipation of the dependent’s return to potentially qualify for head of household status. This case has been cited in subsequent rulings to clarify the application of ‘special circumstances’ in head of household determinations, particularly in cases involving custody disputes.

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