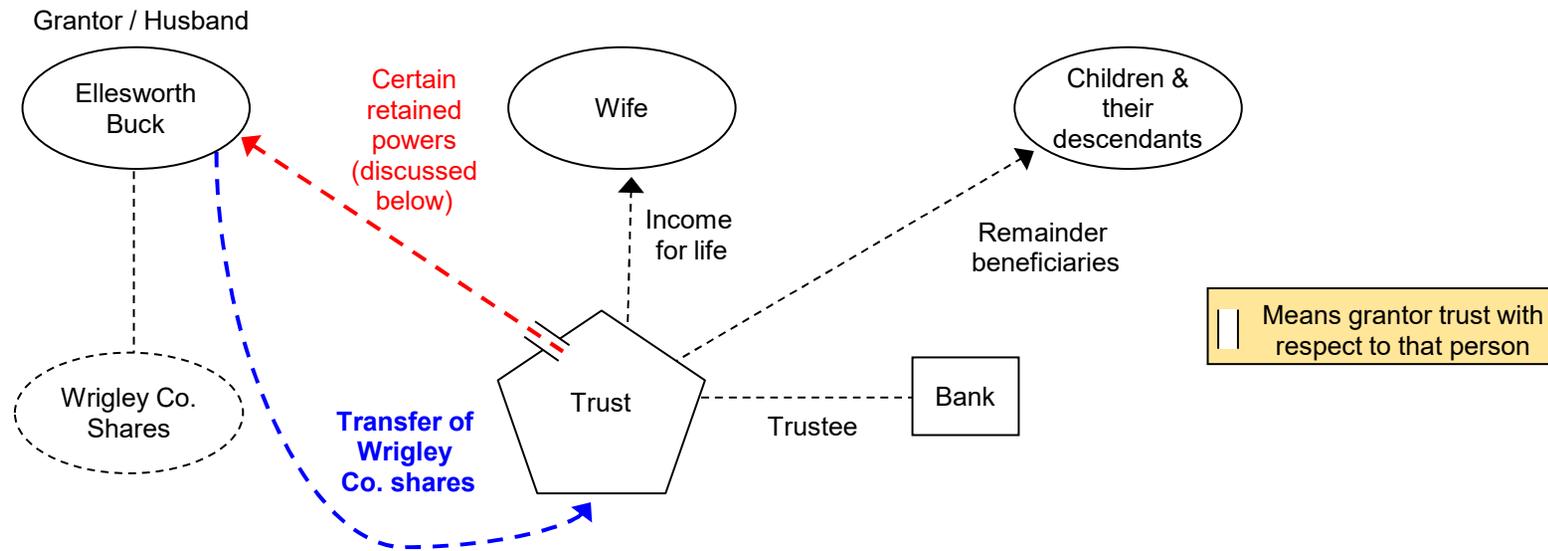


Commr. v. Buck
120 F.2d 775 (2d Cir. 1941)

Pre-1954 Code: Grantor Trust
Due to Retained Sprinkle Power

Copyright © 2018 Andrew Mitchel LLC
International Tax Services
www.andrewmitchel.com



Retained powers: He retained a sprinkle or spray power. That is, he retained the power “to alter or amend in any respect whatsoever” the provisions relating to the distribution of the income or principal, except that this power could not be exercised so as to revoke the trust, revest title to the principal in him, or direct that the income be paid to him, accumulated for him, or applied to the payment of insurance premiums on his life. In the event that a beneficiary predeceased him, the share held for that beneficiary was to return to Buck. He also retained the powers to remove the trustee, and to direct the trustee how to exercise its powers to retain or dispose of the corpus and to invest or reinvest the proceeds of a sale, and reserved the right to vote any stock or to direct the trustee how to vote it.

Holding: Consequently, he has deprived himself merely of (1) the power to dispose by will and (2) the power to use the income or principal for personal consumption purposes. During his life, he has entire control of the sale and investment of the corpus, in whole or in part, and the voting power of any stock now or later constituting that corpus. When to such control there is coupled the power, until his death, freely to sprinkle the income about among any beneficiaries he may select (as if he were playing a hose), it is impossible to conclude, in the light of the recent decisions of the Supreme Court, that the income is not taxable to him.