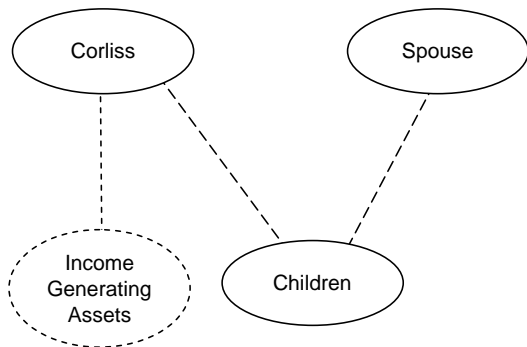


**Income of Revocable (Grantor)
Trust Taxed to Grantor**

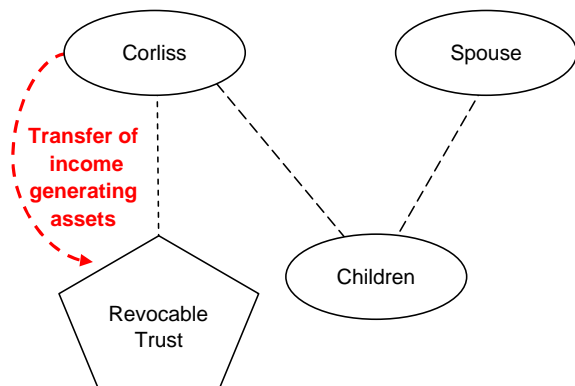
Initial Structure

1



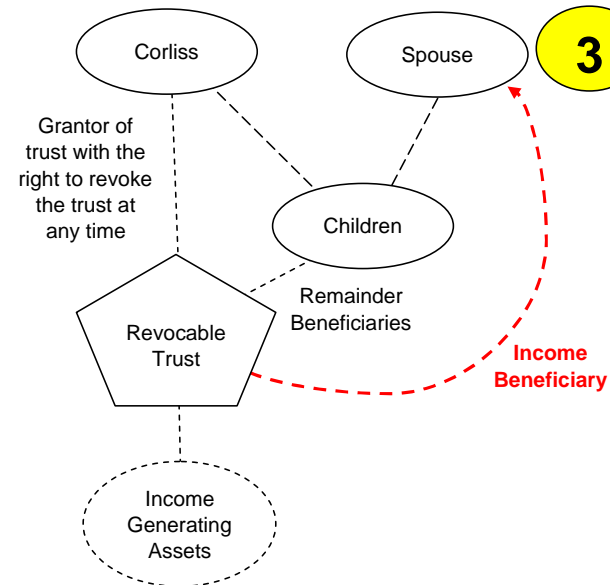
Establishment of Trust

2



**Attempted
Assignment of Income**

3



In 1922, Corliss transferred income generating assets to trustees, in trust to pay the income to his wife for life with remainder over to their children. By the instrument creating the trust, Corliss reserved the power "to modify or alter in any manner, or revoke in whole or in part, this indenture and the trusts then existing and the estates and interests in property hereby created." Corliss fully reserved the power at any moment to abolish or change the trust at his will.

"[T]axation is not so much concerned with the refinements of title as it is with actual command over the property taxed, the actual benefits for which the tax is paid. If a man directed his bank to pay over income as received to a servant or friend, until further orders, no one would doubt that he could be taxed upon the amounts so paid. It is answered that in that case he would have a title, whereas here he did not. But from the point of view of taxation there would be no difference. The title would merely mean a right to stop the payment before it took place. The same right existed here although it is not called a title, but is called a power...The income that is subject to a man's unfettered command and that he is free to enjoy at his own option may be taxed to him as his income, whether he sees fit to enjoy it or not."