Goodyear v. Commissioner, 2 T.C. 885 (1943)

A transfer in trust is not considered to take effect in possession or enjoyment at or after the grantor's death merely because of a remote possibility that the trust corpus might revert to the grantor or her estate by operation of law.

Summary

The Tax Court addressed whether the value of four trusts created by the decedent should be included in her gross estate for estate tax purposes. The Commissioner argued that the trusts were intended to take effect at or after the decedent's death because of a possibility that the trust property could revert to the decedent or her estate under certain remote contingencies. The court rejected the Commissioner's argument, holding that the possibility of reverter was too remote to justify including the trusts in the gross estate. The court emphasized that taxation should be a practical matter, and the exceedingly small chance of the decedent regaining possession of the trust assets should not trigger estate tax liability.

Facts

Ellen Portia Conger Goodyear (decedent) created four trusts in 1934, each benefiting one of her four children and their descendants. The first two trusts provided income to a child for life, then to their children (decedent's grandchildren) for life, with the remainder to the grandchildren's issue (decedent's great-grandchildren). If all great-grandchildren died without issue before their parents (decedent's grandchildren), the Commissioner argued a resulting trust would arise in favor of the decedent or her estate. The third and fourth trusts provided income to a child for life, then to the child's spouse for life, with the remainder to the child's issue; if no issue, then to the child's distributees under New York intestacy laws. The Commissioner argued this meant the decedent could potentially inherit if the child died without issue and the decedent survived.

Procedural History

The Commissioner determined an estate tax deficiency, arguing that the remainder interests in the four trusts should be included in the decedent's gross estate under Section 811(c) of the Internal Revenue Code. The executors of the decedent's will, the petitioners, challenged this determination in the Tax Court.

Issue(s)

Whether the remainder interests in the four trusts were intended to take effect in possession or enjoyment at or after the decedent's death within the meaning of Section 811(c) of the Internal Revenue Code, due to the possibility of a reversion to the decedent or her estate under certain remote contingencies.

Holding

© 2025 SCOTUSreports.com. All rights reserved.

No, because the possibility of the trust corpus reverting to the decedent or her estate was too remote to justify including the trust assets in her gross estate.

Court's Reasoning

The court distinguished the case from *Helvering v. Hallock*, 309 U.S. 106 (1940), where the grantor retained an express reversionary interest contingent on surviving his spouse. In this case, the possibility of reverter was based on remote contingencies and operation of law. The court emphasized that the likelihood or remoteness of the contingency must play a part in determining whether the grantor's death was the indispensable event for the grantee's enjoyment of the property. The court noted that when the trusts were created, the decedent was approximately 81 years old, and there were numerous living beneficiaries. The court observed, "If taxation is a practical matter, we can not shut our eyes to the practical certainty that decedent would not survive the others. It was certain enough, we think, to be given effect in the ordinary affairs of life, and if so it should be enough for tax purposes." The court rejected the Commissioner's argument that the failure to use the word "heirs" in the first two trusts made the gifts incomplete, stating that the possibility of a failure of the trust is ever present and it is a matter of degree.

Practical Implications

This case clarifies that the mere possibility of a reversion to the grantor or her estate is not sufficient to include trust assets in the gross estate. The possibility must be more than a remote contingency. This case illustrates the importance of analyzing the likelihood of a reversionary interest vesting in the grantor. Legal practitioners can use this case to argue against the inclusion of trust assets in the gross estate when the possibility of reverter is extremely remote based on actuarial data and the ages and health of the beneficiaries. This case emphasizes that tax law should be applied in a practical manner, considering the realities of the situation rather than relying on purely technical arguments.

© 2025 SCOTUSreports.com. All rights reserved.