2 T.C. 1016 (1943)

A donee of a tax-free gift can be held liable as a transferee for the gift tax owed on a separate, taxable gift made by the same donor in the same year, up to the value of the donee's gift.

Summary

Emma Baur made gifts to Marguerite Baur individually (tax-free due to the exclusion), to Marie Crouse, and to Marguerite Baur as trustee for Louise Baur (a taxable gift). Emma failed to pay the gift tax on the trust gift. The Commissioner sought to hold Marguerite and Marie liable as transferees. The Tax Court held Marguerite liable as a donee-transferee for the tax on the trust gift, up to the value of her individual gift, reasoning that the gift tax is a lien on all gifts made during the year, regardless of whether they are taxable themselves. The court emphasized the broad language of the statute.

Facts

Emma M. Baur made three $5,000 gifts in 1937:

To Marguerite E. Baur (individually)
To Marie B. Crouse (sister of Marguerite)
To Marguerite E. Baur, as trustee for Louise P. Baur, under a trust established by Emma and her husband.

Emma filed a gift tax return claiming a $5,000 exclusion for each gift, resulting in no net taxable gifts.
Marguerite and Marie filed donee information returns reporting their individual gifts.
Marguerite also filed a return as trustee reporting the gift to the trust.
The IRS disallowed the exclusion for the gift to the trust because it was a gift of a future interest.
Emma Baur did not pay the gift tax due on the gift to the trust.

Procedural History

The Commissioner of Internal Revenue determined a gift tax deficiency against Emma M. Baur for the 1937 tax year, arising from the disallowance of the exclusion for the gift to the trust. The Commissioner then sought to collect the unpaid tax from Marguerite E. Baur and Marie B. Crouse as donee-transferees. The Tax Court reviewed the Commissioner's determination.

Issue(s)

Whether a donee whose gift is subject to the $5,000 exclusion can be held liable as a donee-transferee for a collateral taxable gift by the same donor to another donee.

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Holding

Yes, because the statute imposes a lien on all gifts made during the year and provides that the donee of any gift is personally liable for the tax to the extent of the value of such gift, without distinguishing between taxable and non-taxable gifts.

Court’s Reasoning

The court relied on Section 510 of the Revenue Act of 1932, which states that the gift tax is a lien upon all gifts made during the calendar year, and that if the tax is not paid, the donee of any gift is personally liable for the tax to the extent of the value of the gift. The court reasoned that the phrase

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