2 T.C. 1246 (1943)

r
r

An estate is entitled to a deduction for property previously subjected to gift tax within five years, even if the donor’s estate received a deduction based on a prior estate tax or a credit for the gift tax.

r
r

Summary

r

The Hart v. Commissioner case addresses whether an estate can deduct the value of property previously taxed as a gift when the donor’s estate also received a deduction or credit related to that property. The Tax Court held that the deduction is permissible under Section 303(a)(2)(B) of the Revenue Act of 1926, even if the donor’s estate benefited from a deduction or credit. The court reasoned that the limitations regarding prior deductions apply only to property taxed within a prior decedent’s estate, not to property previously subjected to gift tax. This decision clarifies the scope of the deduction for prior taxed property in cases involving gifts.

r
r

Facts

r

John S. Greene left his estate to his sister, Alice G. Comstock, in 1935. Alice G. Comstock gifted a substantial portion of that estate to her daughter, Marjorie Stewart Comstock Hart, in 1935 and paid the gift tax. Alice G. Comstock died in 1938, and the Commissioner included the donated property in her gross estate, claiming it was a transfer in contemplation of death. The Commissioner then allowed a deduction for previously taxed property (due to the Greene estate) and a credit for the gift tax paid. Marjorie Stewart Comstock Hart died in 1939, and her estate sought a deduction for previously taxed property, arguing that the property had already been subjected to gift tax.

r
r

Procedural History

© 2025 SCOTUSreports.com. All rights reserved.

r

The Commissioner disallowed the deduction claimed by the Hart estate, arguing that a deduction for the same property had already been allowed in determining the net estate of Alice G. Comstock. The Hart estate petitioned the Tax Court, contesting the Commissioner's determination of a deficiency in estate tax. The case was submitted to the Tax Court based on stipulated facts.

r
r

Issue(s)

r

Whether the estate of Marjorie Stewart Comstock Hart is entitled to a deduction for previously taxed property under Section 303(a)(2)(B) of the Revenue Act of 1926, where the property was previously subjected to gift tax, and the estate of the donor (Alice G. Comstock) was also allowed a deduction or credit related to that property.

r
r

Holding

r

Yes, because the limitation in Section 303(a)(2) regarding prior deductions applies only to property taxed within the estate of a prior decedent, not to property previously subjected to gift tax under Section 303(a)(2)(B).

r
r

Court's Reasoning

r

The Tax Court reasoned that Section 303(a)(2) provides two distinct avenues for claiming a deduction for previously taxed property: (A) for property forming part of a prior decedent's gross estate and (B) for property transferred by gift within five years prior to the decedent's death. The court emphasized that the limitation stating

© 2025 SCOTUSreports.com. All rights reserved.