*3 T.C. 358 (1944)*

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A transfer of life insurance policies is considered made in contemplation of death if the decedent's sole motive was to avoid estate taxes, even if the decedent retained no incidents of ownership at the time of death, and the proceeds are includable in the gross estate.

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**Summary**

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Frank Vanderlip transferred life insurance policies to a trust in 1932, motivated solely by the desire to avoid estate taxes. The policies, issued before 1918, were the trust's only assets. Before the transfer, Vanderlip borrowed the maximum loan value on the policies. After the transfer, premiums were paid by Vanderlip, loans against the policies by the trustees, or by applying dividends. The Tax Court held that the transfer was made in contemplation of death, and the insurance proceeds were includable in Vanderlip's gross estate. This decision hinged on the intent behind the transfer and the continued payment of premiums by the decedent, directly or indirectly.

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**Facts**

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Frank Vanderlip owned life insurance policies issued before 1918. On June 1, 1932, he irrevocably assigned these policies, totaling $923,868.60, to a trust for the benefit of his wife and descendants. Before the transfer, Vanderlip borrowed $398,898.51, the maximum loan value, against the policies. After the transfer, the trustees used dividends and additional loan value to pay premiums and interest. Vanderlip paid the remaining premiums and interest, totaling $183,026.45. The trustees procured policy loans of $114,539.69 to partially pay premiums and interest. The trust's sole assets were the insurance policies.

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**Procedural History**

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The Commissioner of Internal Revenue determined a deficiency in Vanderlip’s estate tax liability. The case proceeded to the United States Tax Court. The central issue was whether the life insurance proceeds should be included in Vanderlip’s gross estate. The Tax Court ruled in favor of the Commissioner, holding that the transfer was made in contemplation of death. The decision was entered under Rule 50.

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**Issue(s)**

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Whether the transfer of life insurance policies to a trust, motivated solely by the desire to avoid estate taxes, constitutes a transfer in contemplation of death, thereby requiring the inclusion of the insurance proceeds in the decedent’s gross estate.

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**Holding**

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Yes, because the decedent’s sole motive in transferring the policies was related to death (avoiding estate taxes) rather than life, and the decedent continued to contribute to the policies either directly or indirectly.

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**Court’s Reasoning**

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The Tax Court determined that Vanderlip’s transfer was made in contemplation of death, despite the stipulation claiming it was

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