6 T.C. 639 (1946)

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An estate can deduct income credited to beneficiaries if the amounts are readily available to them upon demand and this treatment is approved by a court with jurisdiction over the estate's accounts.

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Summary

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The executors of Andrew J. Igoe's estate credited current income to beneficiaries who were residuary legatees. These distributions were credited under circumstances making them readily available to the beneficiaries upon demand, and substantial amounts were withdrawn. A surrogate court approved this method in settling the executors' accounts. The beneficiaries reported these distributions on their income tax returns. The Tax Court held that the executors were entitled to deduct these distributed amounts under Section 162(c) of the Internal Revenue Code.

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Facts

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Andrew J. Igoe died on June 16, 1937, leaving a will that bequeathed his entire estate to his widow and children in proportions dictated by New York intestacy laws. The will granted the executors broad powers to distribute the estate in kind or in cash. The gross estate was valued at over $1.2 million. The estate's assets included shares of stock and debenture bonds in two family corporations, Igoe Brothers, Inc. (Igoe, Inc.) and Eybro Realty Corporation (Eybro). During the tax years in question, the estate received substantial net income, which the executors credited to the beneficiaries on the estate's books. The beneficiaries were notified of these credits and reported them on their individual tax returns.

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Procedural History

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The Commissioner of Internal Revenue determined deficiencies in the estate's income tax for the years ended May 31, 1940, and May 31, 1941, disallowing deductions claimed by the estate for income credited to beneficiaries. The executors petitioned the Tax Court, arguing that the credits were deductible under Section 162(b) or 162(c) of the Internal Revenue Code. The Tax Court ruled in favor of the executors, allowing the deductions under Section 162(c).

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Issue(s)

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Whether the amounts credited by the executors to the beneficiaries on the books of the estate are deductible from the estate's gross income under Section 162(b) or 162(c) of the Internal Revenue Code.

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Holding

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No, the income was not

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