6 T.C. 1255 (1946)

A remainder interest in a trust vests immediately in the residuary legatees upon the testator's death, absent explicit contingencies in the will requiring survival of the life tenant, and is thus includible in the legatee's gross estate for federal estate tax purposes even if the legatee predeceases the life tenant.

Summary

The Tax Court addressed whether the value of a decedent's interest in trust remainders created by his father's will was includible in his gross estate. The father's will created two trusts, with the remainders falling into his residuary estate, which was divided among his children, including the decedent. The court held that the decedent's one-third interest in the trust remainders vested upon his father's death because the will lacked clear contingencies requiring the decedent to survive the life tenants, thus the value of the interest was taxable as part of his gross estate.

Facts

Robert S. Frazer's will created two trusts: one for Bridget A. Brennen and another for his daughter, Sarah B. Frazer, each with a life estate. Upon the death of each life tenant, the trust funds were to become part of Robert S. Frazer's residuary estate. The residuary estate was divided into four shares, with one share given to each of his three children (including the decedent, John G. Frazer) and one share held in trust for Sarah B. Frazer for life, after which it would also fall into the residuary estate. John G. Frazer (the decedent in this case) died before the life tenants of the trusts created by his father, Robert S. Frazer.

Procedural History

The Commissioner of Internal Revenue determined a deficiency in John G. Frazer's federal estate tax. The Commissioner included the value of John G. Frazer's one-third interest in the remainders of the trusts created by Robert S. Frazer in John G. Frazer's gross estate. The executrix of John G. Frazer's estate, Katharine Reed Frazer, challenged this inclusion in the Tax Court.

Issue(s)

Whether the remainder interest in the corpus of the two trusts created by the will of decedent's father vested in the decedent upon the death of his father, or was contingent upon decedent surviving the life tenants for federal estate tax purposes.

Holding

No, the remainder interest vested upon the death of the testator (Robert S. Frazer) because the will did not contain clear contingencies requiring the decedent (John G. Frazer) to survive the life tenants for the remainder interest to vest.

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Court’s Reasoning

The court emphasized that the intention of the testator, Robert S. Frazer, is paramount and should be gathered from the language of the will when read as a whole. The court found that Robert S. Frazer intended to divide the residue of his estate among his three children and that the trust remainders vested immediately in those who shared the residuary estate upon Robert’s death. The court interpreted Paragraph

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