Estate of Eice v. Commissioner, 16 T.C. 36 (1951)

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For estate tax purposes, property received from a prior decedent is considered to have been received by bequest, devise, or inheritance, rather than as payment of a debt, if the debt was not formally claimed, allowed, or paid by the prior estate, indicating a waiver of the debt.

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Summary

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The Tax Court addressed whether assets received by George Eice from his deceased wife Adele's estate qualified for the previously taxed property deduction under Section 812(c) of the Internal Revenue Code. The IRS argued that George received the assets as payment for a $54,500 debt Adele owed him, limiting the deduction. The court held that since George never formally presented, proved, or had his debt allowed by the Surrogate's Court, he constructively waived the debt. Thus, the assets were received via bequest or inheritance, entitling his estate to the full deduction based on the stipulated value of the assets.

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Facts

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Adele Stern Eice died, leaving a will naming her husband, George Eice, as the sole legatee and executor.r
At the time of her death, Adele owed George $54,500, evidenced by promissory notes.r
George did not file a formal accounting with the Surrogate's Court regarding Adele's estate.r
George did not take any formal steps to have his debt claim allowed or paid by Adele's estate.r
Specific assets from Adele's estate, valued at $72,518.12, were identified as part of her estate.r
George Eice subsequently died, and his estate sought to deduct the value of these assets as property previously taxed under Section 812(c) of the Internal Revenue Code.r

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Procedural History

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The Commissioner of Internal Revenue disallowed a portion of the deduction claimed by George Eice's estate for property previously taxed.r
The estate petitioned the Tax Court for a redetermination of the deficiency.r
The Tax Court reviewed the case to determine whether the assets were received by George as a legatee or as a creditor.r

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Issue(s)

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Whether the assets received by George Eice from his wife's estate were received as a bequest, devise, or inheritance, or whether they were received as payment for a debt owed to him by the estate, affecting the estate tax deduction for previously taxed property.r

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Holding

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No, because George Eice waived his right to claim the debt by not formally presenting, proving, or having it allowed by the Surrogate's Court, indicating that the assets were received via bequest or inheritance.r

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Court's Reasoning

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The court reasoned that under New York law (Surrogate's Court Act §212), an

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executor’s claim against the estate must be

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