8 T.C. 701 (1947)

Tax relief provisions require strict adherence to statutory and regulatory requirements, including the timely filing of signed consents under oath, even when the beneficiaries are tax-exempt organizations.

Summary

The Estate of Frances T. Ingraham sought to exclude certain dividends and interest accrued before her death from her final income tax return, relying on a relief provision that allowed for cash-basis accounting with proper consents. The Commissioner of Internal Revenue determined a deficiency, arguing that the estate failed to comply with the statutory and regulatory requirements for obtaining the benefits of that section. The Tax Court agreed with the Commissioner, holding that the estate's failure to file the required consents, under oath, and within the prescribed time, barred the estate from utilizing the relief provision, even though the residuary legatees were tax-exempt charitable organizations. This case underscores the necessity of strict compliance with tax laws and regulations.

Facts

Frances T. Ingraham died on June 26, 1942. Her will divided her residuary estate into 25 parts, with 20 parts bequeathed to various tax-exempt charitable, educational, and religious organizations. The remaining 5 parts were to go to the same organizations or similar ones designated by her brother, who predeceased her without exercising this power. The estate's executor, Guaranty Trust Company, filed an income tax return for the period of January 1 to June 26, 1942, but did not include dividends and interest accrued on securities comprising part of the residuary estate.

Procedural History

The Commissioner of Internal Revenue determined a deficiency in the decedent's income tax, asserting that the accrued dividends and interest should have been included in the income tax return. The Estate petitioned the Tax Court, arguing that it had substantially complied with the requirements for excluding the income under Section 134(g) of the Revenue Act of 1942. The Tax Court ruled in favor of the Commissioner.

Issue(s)

Whether the executor and the tax-exempt charitable legatees complied with the requirements of Section 134(g) of the Revenue Act of 1942 and related regulations to exclude dividends and interest accrued before the decedent's death from the decedent's final income tax return.

Holding

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No, because the executor and the beneficiaries failed to file signed consents under oath with the Commissioner of Internal Revenue, within the prescribed time, as required by the statute and the regulations. A letter to the local collector was insufficient.

Court’s Reasoning

The court emphasized that Section 134(g) was a relief provision designed to mitigate the impact of including accrued income in a decedent’s final return and that to benefit from the provision, strict compliance with its requirements was mandatory. The court cited the specific requirements of the statute, including the filing of signed consents under oath by both the executor and each beneficiary with the Commissioner of Internal Revenue, within the time prescribed by regulations. The court found that the executor’s informal letter to the local collector, lacking the required oath and detailed information, was insufficient. It also held that the beneficiaries’ belated filing of

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