9 T.C. 563 (1947)

Gifts made more than two years prior to the donor's death are presumed not to have been made in contemplation of death, requiring the IRS to prove the gifts were made with death- Motivated purposes to be included in the taxable estate.

Summary

The Estate of Mary E. Cook challenged the Commissioner of Internal Revenue's determination that gifts made by Cook to her children within two years of her death were made in contemplation of death and thus includible in her gross estate for estate tax purposes. The Tax Court held that gifts made more than two years before death are presumed not to be made in contemplation of death, and the IRS failed to demonstrate that Cook's gifts were made with death-related motives. The court emphasized that Cook's gifts were primarily motivated by life-associated purposes, such as reducing her income tax burden and providing financial assistance to her children.

Facts

Mary E. Cook died on May 29, 1942, at age 68. More than two years prior to her death, in 1939 and 1941, Cook established trusts for her three children and transferred shares of Pittsburgh Press Co. stock to these trusts. In 1940, she also gifted a one-half interest in her residence to her daughter Helen Louise. Cook had previously received a substantial estate from her husband, consisting largely of Scripps Howard securities. She had a history of making gifts to her children and was described as active and alert until shortly before her sudden death from acute nephritis. The gifts in question were made more than two years before her death. Cook's stated motives for the gifts included allowing her children to enjoy the property during her lifetime and reducing her income taxes.

Procedural History

The Commissioner of Internal Revenue assessed a deficiency in estate taxes, arguing that the gifts made by Cook were made in contemplation of death and should be included in her gross estate under Section 811(c) of the Internal Revenue Code. The Estate of Mary E. Cook petitioned the Tax Court to challenge this determination.

Issue(s)

1. Whether the transfers of securities in trust for her children, made more than two years before her death, were made in contemplation of death under Section 811(c) of the Internal Revenue Code.
2. Whether the transfer of a one-half interest in residential property to her daughter, made more than two years before her death, was made in contemplation of death under Section 811(c) of the Internal Revenue Code.

© 2025 SCOTUSreports.com. All rights reserved.

Holding

1. No, because the gifts of securities in trust were motivated by life-associated purposes, such as reducing income taxes and providing for her children's financial well-being, and were made more than two years before her death, thus falling outside the presumption of being in contemplation of death.
2. No, because the gift of the residential property interest was intended to equalize gifts among her children and provide her unmarried daughter with a home, representing life-associated motives and occurring more than two years before death.

Court's Reasoning

The Tax Court relied on *United States v. Wells, 283 U.S. 102 (1931)*, which established that a gift is made in contemplation of death if the dominant motive is the thought of death, although it need not be the sole motive. The Court emphasized that gifts made more than two years before death are presumed not to be made in contemplation of death. The burden is on the Commissioner to prove otherwise. The court analyzed Cook's motives for making the gifts. It noted her attorney's advice to reduce income taxes by transferring income-producing assets to trusts for her children. The court found that Cook's substantial income and desire to assist her children financially were significant life-related motives. The court also noted the gift of the residence was to provide for her unmarried daughter. The Court stated, "We think that the gifts in question were actuated by motives associated with life, rather than matters related to death… The decedent's anxiety for the comfort and well-being of her children and grandchildren and her willingness to help them get established in business and in their new home supplied the other motives for the transfers." The court concluded that the Commissioner failed to overcome the presumption against contemplation of death for gifts made more than two years before death, as the evidence indicated life-related motives predominated.

Practical Implications

Cook v. Commissioner provides a practical illustration of how the "contemplation of death" doctrine is applied, particularly concerning the statutory presumption for gifts made more than two years before death. It highlights the importance of documenting life-related motives for gifts, such as tax planning, family financial support, and personal well-being, especially for gifts made outside the two-year window prior to death. For estate planners, this case underscores the need to advise clients to articulate and document their lifetime motivations for making gifts to strengthen the argument against "contemplation of death," should the IRS challenge the transfers. It also reinforces that gifts made to reduce income taxes are considered a valid, life-related motive. Later cases continue to apply the principles from *Wells* and *Cook*, focusing on the donor's subjective intent and the circumstances surrounding the gifts to determine whether life-related motives outweigh death-related motives when assessing estate tax inclusion.

© 2025 SCOTUSreports.com. All rights reserved.