***9 T.C. 1192 (1947)***

Gifts made with life-associated motives, such as providing independent income or a home for a spouse, are not considered made in contemplation of death, and for jointly held property, contributions from a surviving spouse's separate funds are excluded from the decedent's gross estate.

**Summary**

The Tax Court addressed whether certain transfers made by the decedent to his wife should be included in his gross estate for estate tax purposes. The Commissioner argued that the transfers of Coca-Cola International stock and a West Palm Beach residence were made in contemplation of death, and that jointly held bank accounts and U.S. Savings Bonds should be fully included in the gross estate. The court found that the gifts were not made in contemplation of death and that the wife's contributions to the jointly held property from her separate funds should be excluded from the gross estate, except to the extent those funds had been exhausted prior to the decedent's death.

**Facts**

Ralph Owen Howard died in 1941. In 1935, he gifted his wife, Josephine, 100 shares of Coca-Cola International stock. In 1939, a lot was purchased in Florida, and a residence was built with funds from a joint bank account, with title to the property in Josephine's name. Ralph and Josephine had a joint bank account since 1930, into which Josephine deposited dividends from her separately owned stock. U.S. Savings Bonds were purchased from the joint account, with the agreement that Josephine was furnishing one-half the money.

**Procedural History**

The Commissioner of Internal Revenue determined a deficiency in the estate tax, including the stock, residence, and jointly held property in the gross estate. The estate petitioned the Tax Court, contesting the Commissioner's adjustments. The Commissioner conceded error on attorney's fees adjustment, leaving the stock, residence, and jointly held property as the issues.

**Issue(s)**

1. Whether the transfer of Coca-Cola International stock and the West Palm Beach residence to Josephine M. Howard were made in contemplation of death.

2. Whether the entire amount of the United States savings bonds and the joint bank accounts were properly includible as part of decedent's gross estate.

**Holding**

© 2025 SCOTUSreports.com. All rights reserved. 

1. No, because the transfers were motivated by life-associated purposes, such as providing independent income and a home for his wife.

2. No, with respect to one-half the value of the U.S. Savings Bonds, because Mrs. Howard contributed to their purchase with her separate funds. Yes, with respect to the funds remaining in the joint bank accounts, because Mrs. Howard's contributions to that account had been exhausted prior to the decedent's death.

**Court's Reasoning**

The court reasoned that the transfer of the Coca-Cola stock was completed in 1935, when the stock was transferred to Josephine's name. The court applied the standard from *United States v. Wells, 283 U.S. 102*, and found that the dominant motive for the gift was to provide Josephine with an independent income, a motive associated with life, not death. Similarly, the court found that the residence was purchased to provide his wife a home and was not in contemplation of death.

Regarding the jointly held property, the court analyzed Section 811 (e) of the Internal Revenue Code, which excludes the portion of jointly held property that originally belonged to the surviving tenant and was never received from the decedent for less than adequate consideration. The court found credible evidence that Josephine and Ralph agreed that the U.S. Savings Bonds would be purchased with funds contributed equally by each. The court distinguished *Dimock v. Corwin, 306 U.S. 363*, noting that dividends Josephine received on stock in her name were her individual property, not property originating with the decedent. However, because the evidence showed that Josephine's separate funds in the joint account had been entirely used up prior to the decedent's death for the purpose of purchasing property for her benefit, the funds remaining in the joint bank account at the time of death were fully includable in the decedent's gross estate.

**Practical Implications**

This case clarifies the importance of establishing the source of funds used to acquire jointly held property for estate tax purposes. It highlights that assets derived from a surviving spouse's separate property will not be included in the decedent's gross estate. The case also reinforces the principle that transfers made with life-associated motives, such as providing financial security or a home for a loved one, are not considered transfers in contemplation of death, even if made within a few years of death. Practitioners should carefully document the intent behind lifetime transfers and the origin of funds used for jointly held property to minimize estate tax liabilities. Later cases may distinguish this ruling based on differing factual scenarios regarding the commingling and tracing of funds in joint accounts.

© 2025 SCOTUSreports.com. All rights reserved. 