***Estate of Anna Fligo, Deceased, et al. v. Commissioner, 13 T.C. 329 (1949)***

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Bank deposits in a U.S. bank held for a nonresident alien, not engaged in business in the U.S. at the time of death, are not considered property within the United States for estate tax purposes, even if the deposits originated from a trust that was in the process of being terminated.

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**Summary**

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The Tax Court addressed whether funds held in a U.S. bank account for a nonresident alien decedent were subject to U.S. estate tax. The funds originated from the liquidation of a trust principal, which the decedent had revoked prior to her death. The court held that because the funds were bank deposits held “for” the decedent, a nonresident alien not engaged in business in the U.S., they were excluded from the decedent’s U.S. taxable estate under Section 863(b) of the Internal Revenue Code. The court emphasized that the trust was effectively terminated, and the bank was merely holding the funds for transmittal to the decedent.

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**Facts**

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Anna Fligo, a nonresident alien, established a trust in the U.S. The trust indenture allowed her to revoke the trust by delivering a revocation instrument to the trustee (a U.S. bank). Fligo executed and delivered the revocation papers to the bank three months before her death, which the bank acknowledged. Prior to her death, Fligo instructed the bank to convert the trust’s securities into cash. Upon liquidation, the bank held $39,002.71 in a general deposit account. The decedent executed a receipt and release agreement acknowledging the accounting just before her death. Fligo died before the funds could be transmitted to her.r

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**Procedural History**

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The Commissioner of Internal Revenue assessed estate tax deficiency, arguing that the funds held by the bank were part of Fligo's U.S. taxable estate. The Estate challenged the assessment in the Tax Court.r

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**Issue(s)**

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Whether the cash held in a U.S. bank account, resulting from the liquidation of a trust principal for a nonresident alien decedent who revoked the trust before death, constitutes "property within the United States" subject to U.S. estate tax under Section 863(b) of the Internal Revenue Code.r

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**Holding**

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No, because the funds were considered bank deposits held "for" the decedent, a nonresident alien not engaged in business in the U.S., and thus are excluded from U.S. estate tax under Section 863(b) of the Internal Revenue Code.r

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**Court's Reasoning**

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The court reasoned that Section 863(b) explicitly excludes bank deposits held for nonresident aliens not engaged in business in the U.S. from being considered property within the United States for estate tax purposes. The court found the funds were indeed

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