Estate of Anna Maria Zietz v. Commissioner, 34 T.C. 351 (1960)

Funds held in a bank account in the U.S. for a nonresident alien, pending transmittal to that alien after the revocation of a trust, are considered bank deposits exempt from U.S. estate tax under Section 863(b) of the Internal Revenue Code.

Summary

The Tax Court addressed whether funds held in a U.S. bank account for a nonresident alien were subject to estate tax. The decedent, a nonresident alien, had revoked a trust held in a U.S. bank. The bank liquidated the trust assets into cash, held in a general deposit account, pending transmittal to the decedent. The court held that these funds were exempt from U.S. estate tax because they qualified as bank deposits held "for" a nonresident alien under Section 863(b) of the Internal Revenue Code, as the decedent had a direct, enforceable claim to the funds awaiting transfer.

Facts

Anna Maria Zietz, a nonresident alien, established a trust with a U.S. bank. The trust indenture allowed Zietz to revoke the trust at any time by delivering a written instrument to the trustee. Zietz executed and delivered a revocation instrument to the bank three months before her death. She also instructed the bank to liquidate the trust's securities into cash. The bank completed the liquidation and held the cash in a general deposit account. Prior to her death, Zietz executed a receipt and release agreement acknowledging the trust accounting. The funds were awaiting transmittal to her at the time of her death.

Procedural History

The Commissioner of Internal Revenue assessed estate tax on the funds held in the bank account. The Estate of Anna Maria Zietz petitioned the Tax Court for a redetermination, arguing that the funds were exempt from estate tax under Section 863(b) of the Internal Revenue Code. The Tax Court reviewed the case.

Issue(s)

Whether funds held in a U.S. bank account for a nonresident alien, representing the proceeds from the liquidation of a trust principal following revocation of the trust but prior to transmittal to the alien, constitute "moneys deposited with any person carrying on the banking business, by or for a nonresident not a citizen of the United States" and are therefore exempt from U.S. estate tax under Section 863(b) of the Internal Revenue Code.

Holding

Yes, because the decedent had a direct, enforceable claim to the funds held by the

© 2025 SCOTUSreports.com. All rights reserved.

bank, awaiting transmittal to her, these funds qualify as bank deposits held “for” her ultimate use and benefit, making them exempt from U.S. estate tax under Section 863(b) of the Internal Revenue Code.

Court’s Reasoning

The court reasoned that the funds, held in a general deposit account, met the definition of “bank deposits.” The court emphasized that the trust was effectively revoked when Zietz delivered the revocation instrument to the bank, terminating the trustee’s discretionary powers. The conversion of the securities into cash was done at Zietz’s specific instruction, separate from the revocation order, indicating the bank acted as her agent rather than solely as a trustee winding up the trust. The court cited *Estate of Karl Weiss, 6 T. C. 227*, noting that the words “by or for” in Section 863(b) indicate that the deposit may be made by someone other than the decedent and that

© 2025 SCOTUSreports.com. All rights reserved.