Estate of Corbett v. Commissioner, 12 T.C. 163 (1949)

A transfer of property with a retained life estate, or where the beneficiary's possession and enjoyment are contingent upon surviving the grantor and maintaining a specific status (like marriage) until the grantor's death, is considered a transfer intended to take effect at or after death, and is includible in the grantor's gross estate for estate tax purposes.

Summary

The Tax Court addressed whether the value of a life estate in a trust should be included in the decedent's gross estate for estate tax purposes. The decedent had created a trust for his wife, with her receiving income during his life as long as she remained his wife, and after his death, only if she was still his wife. The court held that the life estate was includible in the gross estate because the wife's interest was contingent upon surviving the decedent as his wife, making it a transfer intended to take effect at or after death. The court also ruled that dividends declared before the decedent's death but payable afterward should be included in valuing the life estate.

Facts

The decedent created a trust in 1927, providing income to his then-wife, Alice F. Corbett, during his life, conditional on her remaining his wife. After his death, she would receive income only if she was his wife at the time of his death. The trust also specified that if Alice ceased to be his wife before his death, the income would revert to the decedent, provided his daughter was living; otherwise, the trust would terminate, and the principal would be paid to the decedent. At the date of the decedent's death, certain dividends had been declared but were not yet payable to the trust.

Procedural History

The Commissioner of Internal Revenue determined that the value of Alice F. Corbett Mitchell's life estate should be included in the decedent's gross estate. The estate challenged this determination in the Tax Court. The Commissioner initially argued the entire trust was a transfer in contemplation of death but abandoned that argument.

Issue(s)

1. Whether the value of the life estate of Alice F. Corbett Mitchell is includible in the gross estate under Section 811(c) as a transfer intended to take effect at or after death.
2. Whether the value of the life estate should be computed by including dividends declared before the decedent's death but not payable until afterward.

Holding

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1. Yes, because the wife's life estate was contingent upon her surviving the decedent as his wife, meaning her interest became absolute only upon his death.
2. Yes, because the dividends, though not payable until after death, were declared before death and would become part of the distributable income of the trust, thus affecting the value of the life estate.

Court's Reasoning

The court reasoned that the wife's right to receive income for life was conditional upon maintaining her marital status until the grantor's death. Citing *Klein v. United States*, the court emphasized that the decedent's death was the "indispensable and intended event" that solidified the wife's larger estate (the life estate). Applying the principles from *Helvering v. Hallock* and *Commissioner v. Estate of Church*, the court stated that the transfer was not a

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