***12 T.C. 913 (1949)***

The estate of a deceased taxpayer is liable for the 50% addition to tax for fraud under Section 293(b) of the Internal Revenue Code if the decedent fraudulently understated income with intent to evade taxes during their lifetime.

**Summary**

Charles Reimer filed fraudulent income tax returns for 1941-1944. After his death, the Commissioner of Internal Revenue assessed fraud penalties against his estate. The executrix, Martha Reimer, contested the assessment, arguing the penalties abated upon Charles's death. The Tax Court held that the estate was liable for the penalties. It reasoned that the 50% addition to tax for fraud is remedial, designed to compensate the government for losses due to the taxpayer's fraud, and thus survives the taxpayer's death. The court emphasized that the action affected property rights of the United States, not just a personal wrong, and therefore the estate was liable.

**Facts**

Charles Reimer fraudulently understated his income on his tax returns for the years 1941 through 1944.
He was a partner in Reimer & Bloomgren Machine Co.
He filed amended returns for 1943 and 1944, but not for 1941 and 1942, still understating income.
Charles Reimer died on February 23, 1947.
On November 5, 1947, the Commissioner made jeopardy assessments against his estate, including a 50% addition to the tax for fraud for each year.
His estate conceded the deficiencies in income tax and admitted Charles intentionally filed fraudulent returns to evade taxes.

**Procedural History**

The Commissioner of Internal Revenue assessed jeopardy assessments against the Estate of Charles Louis Reimer.
The estate petitioned the Tax Court for review, contesting the 50% fraud penalties.
The Tax Court ruled in favor of the Commissioner, holding the estate liable for the penalties.

**Issue(s)**

Whether the estate of a deceased taxpayer is liable for the 50% addition to tax for fraud under Section 293(b) of the Internal Revenue Code, when the taxpayer fraudulently understated income with intent to evade taxes during his lifetime and dies before the assessment of the penalty.

**Holding**

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Yes, because the 50% addition to tax for fraud is a remedial measure designed to compensate the government for the loss resulting from the taxpayer's fraud and affects property rights of the United States, therefore surviving the taxpayer's death and remaining collectible from their estate.

**Court's Reasoning**

The court relied on the substance of the government's claim to the 50% addition to tax for fraud. It acknowledged that initially, additions to tax were viewed as penalties that did not survive the taxpayer's death. However, the court cited *Helvering v. Mitchell*, 303 U.S. 391 (1938), which determined that the assessment of the 50% addition for fraud was not barred by acquittal on a criminal charge based on the same offense. The Supreme Court stated, "They are provided primarily as a safeguard for the protection of the revenue and to reimburse the Government for the heavy expense of investigation and the loss resulting from the taxpayer's fraud."

The court explained that in cases involving federal statutes, a cause of action survives if the injury affects property rights, not just the person. Because a tax is a forced charge operating against the will of the person taxed, and tax fraud deprives the government of revenue and incurs expenses, the court found that tax fraud is an injury to the property of the United States. Therefore, the cause of action survives the taxpayer's death and is collectible from the estate.

**Practical Implications**

This case establishes that estates can be held liable for tax fraud penalties incurred by the deceased. When analyzing tax fraud cases, legal professionals must consider that the 50% addition to tax is not a punitive measure that abates upon death, but a remedial one meant to make the government whole.

This decision impacts estate planning and administration. Attorneys advising clients should inform them that their estates could be liable for past tax fraud, influencing decisions about asset allocation and potential settlements with the IRS. Subsequent cases have cited Reimer in support of the IRS's ability to pursue civil fraud penalties against a deceased taxpayer's estate, reinforcing the ruling's lasting impact on tax law and estate administration.

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