13 T.C. 19 (1949)

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A claim against an estate is deductible for estate tax purposes under Section 812(b) of the Internal Revenue Code if it is valid under the laws of the jurisdiction where the estate is administered; unauthorized loans from a trust to a beneficiary create a valid claim against the beneficiary's estate.

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Summary

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The executors of Carolyn Clement's estate sought to deduct $39,000 as a claim against the estate, representing the unpaid balance of loans made to Carolyn from a trust established by her husband. The Tax Court held that because the loans were unauthorized invasions of the trust corpus under New York law, they constituted a valid claim by the trust against Carolyn's estate. This claim was therefore deductible under Section 812(b) of the Internal Revenue Code for estate tax purposes, as the debt was acknowledged by the decedent and the state court approved the claim.

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Facts

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Stephen Clement established a testamentary trust for his wife, Carolyn, granting her the income and, under certain circumstances, the ability to invade the corpus for her

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