14 T.C. 325 (1950)

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A mere power with respect to property, such as the power to surrender an annuity contract or change its beneficiaries, is not necessarily a taxable interest subject to inclusion in the gross estate under Section 811(a) of the Internal Revenue Code.

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Summary

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The Tax Court addressed whether an annuity contract, purchased by the decedent's husband for her benefit, should be included in her gross estate for tax purposes. The court held that since the husband provided the funds specifically for the annuity, he was the effective purchaser. The decedent's interest was limited to that of a beneficiary with certain powers she never exercised. The court also examined whether the corpus of a revocable trust created by the decedent was subject to general claims under Maryland law, influencing the deduction for property previously taxed. The court determined that it was subject to such claims.

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Facts

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Eben Haggett gifted $50,000 to his wife, Susie Haggett, with the express purpose of purchasing an annuity contract on his life to provide her with guaranteed income. Susie purchased an annuity naming herself as the primary beneficiary during Eben's life, with provisions for grandchildren after his death. The contract gave Susie the power to surrender the contract or change beneficiaries. Eben paid a gift tax on the $50,000 transfer. Susie never exercised her power to surrender the annuity or change beneficiaries. Susie died in 1943. She also had created a revocable trust in 1933.

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Procedural History

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The Commissioner of Internal Revenue determined a deficiency in Susie Haggett's estate tax, including one-half the commuted value of the annuity contract as a taxable transfer and the remaining half as previously taxed property. The executor of Susie's estate, Safe Deposit and Trust Company of Baltimore, challenged this determination in the Tax Court. The Commissioner also eliminated the value of a revocable trust from property subject to general claims when calculating the deduction for property previously taxed.

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Issue(s)

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1. Whether the respondent erred in including in the gross estate the commuted value of an annuity contract issued by the Mutual Life Insurance Co. of New York on March 22, 1938.

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2. Whether the respondent erred in his determination of the amount of the deduction allowable for property previously taxed.

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3. Whether the respondent erred in his determination of the amount of the estate

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