16 T.C. 204 (1951)

r
r

When valuing a combined single premium annuity and life insurance policy for estate tax purposes, the amount includible in the gross estate is the one-sum death benefit payable at death, not the cost of a comparable annuity contract.

r
r

Summary

r

The Estate of Emil Goldblatt disputed the Commissioner's valuation of two single-premium annuity and life insurance policies included in the gross estate. Goldblatt had purchased the policies, which provided death benefits to his wife in the form of lifetime annuity payments. The Tax Court held that the value includible in the gross estate was the lump-sum death benefit that would have been payable had Goldblatt's wife not elected to receive annuity payments, relying on Treasury Regulations for valuing insurance policies, not annuity contracts. The wife's contribution to the premium of one policy did not reduce the includible value, as Goldblatt possessed all incidents of ownership.

r
r

Facts

r

Emil Goldblatt purchased two single-premium annuity and life insurance policies, designating his wife, Ruth, as the beneficiary. The first policy, from Massachusetts Mutual, had a $15,000 premium, of which Ruth contributed $3,000. The second, from Equitable Life, had a $30,000 premium. The policies provided that if Emil died before the annuity start date, Ruth would receive death benefits. Prior to his death, Emil elected options under both policies for Ruth to receive monthly payments for life with 20 years guaranteed, instead of a lump sum. Emil retained all incidents of ownership until his death.

r
r

Procedural History

r

The Commissioner determined a deficiency in estate tax, increasing the value of the insurance policies included in the gross estate. The Estate contested the valuation and claimed a reduction in value for the wife’s contribution to one policy’s premium. The Tax Court addressed these issues after a stipulation regarding a partnership interest valuation resolved that aspect of the case.

r
r

Issue(s)

r

1. Whether the wife’s contribution to the premium of one policy reduces the value of the policy includible in the decedent’s gross estate, given that the decedent possessed all incidents of ownership?

r

2. Whether the Commissioner correctly determined the value of the policies for estate tax purposes, considering that the policies were paid out as annuities?

r
r

Holding

r

1. No, because the decedent possessed all incidents of ownership in the policies until his death, the wife’s contribution to the premium does not reduce the includible value. The applicable statute at the time of death included proceeds of policies “with respect to which the decedent possessed at his death any of the incidents of ownership.”

