***Estate of Salt v. Commissioner, 17 T.C. 92 (1951)***

The fair market value of stock subject to a binding purchase option is capped at the option price for estate tax purposes, and discretionary death benefits paid by an employer to a decedent's widow are not includible in the decedent's gross estate under Section 811(a) of the Internal Revenue Code where the decedent had no vested interest or enforceable right to such benefits.

**Summary**

The Tax Court addressed two issues: the valuation of Graybar stock subject to a restrictive purchase option and the inclusion of death benefits paid to the decedent's widow in the gross estate. The court held that the stock's value was limited to the option price of $20 per share due to the binding agreement. Furthermore, the court determined that the $40,000 "Regular Death Benefit" paid to the widow was not includible in the gross estate because the decedent possessed no vested interest or enforceable right to the benefit, as payment was discretionary.

**Facts**

The decedent owned 4,000 shares of Graybar stock subject to a restrictive agreement requiring him to offer the stock to Graybar at $20 per share if he wished to dispose of it during his lifetime or upon his death. Graybar exercised its option to purchase the stock from the estate for $20 per share. Graybar's Plan for pensions and other benefits allowed a committee to authorize payments to certain persons related to a deceased pensioner, termed "Regular Death Benefits." The committee authorized a $40,000 payment to the decedent's widow.

**Procedural History**

The Commissioner of Internal Revenue determined that the Graybar stock should be valued at $60 per share for estate tax purposes and included the $40,000 death benefit in the decedent's gross estate. The estate challenged these determinations in the Tax Court.

**Issue(s)**

1. Whether the value of the Graybar stock subject to the purchase option should be determined based on the $20 per share option price or at a higher fair market value.
2. Whether the $40,000

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