18 T.C. 699 (1952)

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A transfer of assets pursuant to an antenuptial agreement is not necessarily made in contemplation of death if the transferor's primary motive is not related to testamentary concerns, and the value of a charitable bequest is determined by what actually passes to the charity, considering expenditures made to resolve claims against the estate.

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Summary

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The Tax Court addressed two issues in this estate tax case: whether a transfer of stock pursuant to an antenuptial agreement was made in contemplation of death, and the proper calculation of a charitable deduction for a residuary bequest. The court held that the stock transfer was not made in contemplation of death because it was primarily motivated by the decedent's desire to provide a wedding gift, not to avoid estate taxes or circumvent his wife's marital rights. The court further held that the charitable deduction should include the amount spent to purchase a "refund" annuity for the widow, as the additional cost of the refund provision benefited the charity, not the widow.

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Facts

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Maurice Falk (decedent) married Selma in 1930, shortly after creating a charitable foundation in memory of his first wife. Prior to the marriage, Selma insisted on an antenuptial agreement to keep their finances separate. The decedent agreed to transfer 1,000 shares of National Steel Corporation stock to Selma. He eventually transferred the stock in 1934. Maurice died in 1946, leaving the bulk of his estate to the foundation. Selma elected to take under the will in exchange for an annuity purchased by the estate, with any remaining annuity funds upon her death reverting to the Foundation. The IRS argued that the stock transfer was made in contemplation of death and sought to reduce the charitable deduction by the amount spent on the annuity.

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Procedural History

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The Commissioner of Internal Revenue determined a deficiency in the estate tax liability. The Estate of Falk petitioned the Tax Court for a redetermination of the deficiency.

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Issue(s)

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1. Whether the transfer of stock by the decedent to his wife in 1934, pursuant to an antenuptial agreement, was a transfer made in contemplation of death under Section 811(c) of the Internal Revenue Code?

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2. Whether the charitable deduction should be reduced by the amount spent to purchase a “refund” annuity for the widow, where the refund provision benefited the charity?

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Holding

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1. No, because the transfer was primarily motivated by the decedent’s desire to provide a wedding gift and satisfy his wife’s wishes, not to avoid estate taxes or circumvent her marital rights.

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2. No, because the additional cost of the refund provision in the annuity contract benefited the charity, not the widow, and should therefore be included in the

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calculation of the charitable deduction.

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Court’s Reasoning

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The court reasoned that the determination of whether a transfer is made in contemplation of death is a question of fact, focusing on the transferor’s dominant motive. The court found that the decedent’s transfer of stock to Selma was primarily a wedding gift, motivated by her desire to maintain financial independence. The court distinguished this case from *In re Kroger’s Estate*, where the transfer was clearly intended to prevent the wife from inheriting a significant portion of the estate.

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Regarding the charitable deduction, the court emphasized that the issue was the value of the residuary estate passing to the charity. The court stated: “The problem is to value the residuary estate, and that can best be done here by looking to what remained in the residuary estate after deducting from the gross estate all debts, expenses, legacies and bequests (other than the residuary bequest), including the property transferred to Selma in consideration of her election to take under the will.” Since the extra cost for the

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