18 T.C. 796 (1952)

Cash deposits held in U.S. banks are not includible in the gross estate of a nonresident alien not engaged in business in the United States at the time of death, but Federal Land Bank bonds are not considered obligations of the U.S. government and are thus taxable.

Summary

The Tax Court addressed whether certain assets should be included in the gross estate of a nonresident alien for estate tax purposes. The decedent, a nonresident alien, held an interest in her grandfather's estate, which included cash deposits and Federal Land Bank bonds. The court held that the cash deposits were exempt from estate tax because they were held by a U.S. bank for a nonresident alien not engaged in business in the U.S. However, the court found that Federal Land Bank bonds were not obligations of the U.S. government and were therefore subject to estate tax.

Facts

Lesley Diana Worthington, a nonresident alien, died on April 29, 1945, without engaging in business in the United States. At the time of her death, she was entitled to a portion of her grandfather's estate, Lewis Nicholas Worthington. The assets of Lewis's estate included cash deposits in New York banks held by Goodbody & Co., the agent for the executor, Marcus Goodbody, as well as Federal Land Bank bonds. The IRS sought to include these assets in Lesley's gross estate for tax purposes.

Procedural History

The executor of Lesley Diana Worthington's estate filed an estate tax return, excluding the cash deposits and Federal Land Bank bonds from the gross estate. The Commissioner of Internal Revenue determined a deficiency, arguing that these assets should have been included. The executor then petitioned the Tax Court for a redetermination of the deficiency.

Issue(s)

1. Whether cash deposits held in U.S. banks, belonging to a nonresident alien not engaged in business in the U.S., are includible in the decedent's gross estate for estate tax purposes.
2. Whether Federal Land Bank bonds are considered obligations of the United States and therefore exempt from estate tax under relevant provisions of the Internal Revenue Code and the Victory Liberty Loan Act.

Holding

1. Yes, because the cash deposits were held by a U.S. bank

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