***LeFiell v. Commissioner*, 19 T.C. 1162 (1953)**

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For federal income tax purposes, the period of estate administration concludes when the ordinary duties of administration, such as collecting assets and paying debts, have been completed, regardless of whether the estate remains formally open under state probate law.

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Summary

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The Tax Court addressed whether the LeFiell estate was a taxable entity in 1944, 1945, and 1946. The petitioner argued that a California probate court order stating the estate was not ready to be closed was binding. The Tax Court held that the estate administration concluded on May 19, 1944, when all debts and taxes were paid, and settlement agreements were approved, despite a continuing obligation to pay an annuity to one of the beneficiaries. The court emphasized that the “time actually required” for administration dictates the taxable period, not merely the state court’s pronouncements, and the estate was deemed ready for distribution at that point. The court also held that a 5-year statute of limitations applied due to omissions from gross income.

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Facts

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Ella LeFiell died, leaving an estate that included a 60% interest in a business, LeFiell Company. Her son, Sidney LeFiell, was the administrator. Settlement agreements were reached among the heirs in May 1943, including a provision to pay Ella LeFiell $150 per month for life. On March 26, 1943 Sidney filed a Petition for Distribution stating that he planned to pay the heirs and legatees their respective shares in the estate in cash pursuant to the settlement agreements. All debts and obligations of the estate had been paid before March 26, 1948. The administrator continued to operate the business instead of liquidating it. The California probate court approved these agreements on May 19, 1944.

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Procedural History

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The Commissioner determined that the estate's administration period extended beyond December 31, 1943, and assessed deficiencies against Sidney LeFiell for income taxes in 1944, 1945, and 1946. The California probate court issued an order on March 8, 1951, stating the estate was not in a condition to be closed. The Tax Court was tasked with determining whether the estate was a taxable entity during the years in question.

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Issue(s)

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1. Whether the period of administration of the LeFiell estate, for federal income tax purposes, extended beyond May 19, 1944, despite the California probate court's order stating it was not in a condition to be closed.

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2. Whether the 5-year period of limitation applies, under section 275(c), to the years 1944 and 1945.

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Holding

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1. No, because all debts, taxes, and claims against the estate had been paid, the settlement agreements had been approved, and Sidney LeFiell was the sole person interested in the estate subject only to the agreement to pay Ella LeFiell $150 per month.

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2. Yes, because the petitioner omitted from gross income for each year—1944 and 1945, an amount properly includible therein which is in excess of 25 per centum of the amount of gross income stated in his return for each year—1944 and 1945.

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Court’s Reasoning

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The Tax Court emphasized that Treasury Regulations dictate the period of administration is the time “actually required” to perform ordinary duties, like collecting assets and paying debts. The court found that those duties were completed by May 19, 1944. The court distinguished *Frederich v. Commissioner*, noting that the 1951 probate court order stating the estate wasn’t ready to be closed was a non-adversarial

