26 T.C. 246 (1956)

When a trustee's power to invade the principal of a trust for the benefit of a life tenant is limited by an ascertainable standard and there is little likelihood of the power being exercised, the value of the life estate can be determined for gift tax purposes.

Summary

In this case, the United States Tax Court addressed whether a life estate given to a wife in a trust could be valued for gift tax purposes, even though the trustee had the power to invade the trust principal for her maintenance and support. The court held that the life estate was indeed valueable and overturned the IRS's deficiency determination. The court focused on the limitations placed on the trustee's power to invade the principal and the unlikelihood of that power being exercised given the wife's other resources and her husband's financial stability. The decision emphasizes the importance of considering not only the terms of the trust but also the surrounding circumstances to determine whether a life estate can be valued, especially in situations where the trustee has the power to invade the principal.

Facts

William H. Robertson (Petitioner) created a trust for his wife, Beatrice Mary Robertson, and transferred stock to the trust. The trust provided that the net income would be paid to his wife for her life, and the trustee could use principal for her maintenance and support with due regard to her other sources of funds. Upon her death, the remainder went to third parties. Robertson filed a gift tax return, valuing his wife's life estate and the remainder interests. The wife consented to split the gift of the remainder with her husband. The IRS disallowed deductions, claiming that the value of the wife's interest was not ascertainable due to the trustee's power to invade the principal. Robertson and his wife had been married for over 30 years and enjoyed a comfortable lifestyle. Robertson had a substantial income and assets, while his wife also had resources. The wife was over 60 years old.

Procedural History

Robertson filed a gift tax return, reporting the gift in trust. The IRS determined a deficiency, disallowing the exclusions claimed on the basis that it was impossible to allocate any determinable portion of trust to either the wife or the children in view of the trustees' power to invade corpus. Robertson petitioned the United States Tax Court, challenging the deficiency determination. The Tax Court reviewed the case and the IRS's determination.

Issue(s)

1. Whether the value of the equitable life estate given to petitioner's wife was ascertainable for gift tax purposes, despite the trustee's power to invade the

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principal.

Holding

1. Yes, because the court found that the trustee's power to invade the principal was limited by ascertainable standards, and there was no likelihood that the power would be exercised, given the circumstances.

Court's Reasoning

The court began by acknowledging the general rule that a life estate must be valued for gift tax purposes. The court cited cases where the invasion power was not limited by ascertainable standards. However, the court distinguished those cases because, in Robertson's trust, the power to invade the principal was limited to what was

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