32 T.C. 1008 (1959)

A trust beneficiary is not automatically liable as a transferee for estate taxes when trust property is included in the gross estate under a section of the Internal Revenue Code, such as 811(d), that does not specifically impose such liability on the beneficiary, even if they receive distributions from the trust.

Summary

The case concerns the estate tax liability of Patricia B. Englert, the daughter and beneficiary of a trust created by the decedent, William P. Baker. The Commissioner of Internal Revenue sought to hold Englert liable as a transferee for estate taxes. The issue was whether Englert, as a beneficiary of a trust whose assets were included in the decedent's gross estate, was also a "transferee" under the relevant sections of the Internal Revenue Code, and therefore liable for the unpaid estate taxes. The Tax Court held that Englert was not liable as a transferee, as the trustee, not the beneficiary, held the property at the time of the decedent's death for the purposes of the statute, and the statute did not explicitly make beneficiaries liable under such circumstances.

Facts

William P. Baker died in 1951. In 1941, he created a trust, with his daughter, Patricia B. Englert, as the principal beneficiary. At the time of Baker's death, half of the trust corpus had been distributed to Englert. The executrix of Baker's estate filed an estate tax return in 1952, disclosing the trust. The IRS initially determined a tax deficiency but did not include the trust corpus in the gross estate. Later, a subsequent Commissioner determined an additional estate tax liability, arguing that the undistributed corpus of the trust should be included in the gross estate under Section 811(d) of the Internal Revenue Code. Englert received distributions from the trust in 1952 and 1955. The IRS asserted Englert was liable for the additional tax as a transferee. The estate had assets exceeding $700,000.

Procedural History

The Commissioner of Internal Revenue, initially T. Coleman Andrews, determined a deficiency in estate tax within three years of the estate tax return's filing. A subsequent Commissioner, Russell C. Harrington, determined an additional estate tax liability after the three-year period but within four years. Harrington asserted transferee liability against Patricia B. Englert. Englert contested the determination in the U.S. Tax Court.

Issue(s)

1. Whether Englert was liable as a transferee under section 900 of the Internal Revenue Code of 1939 for the unpaid estate tax?

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Holding

1. No, because Englert was a beneficiary, not a transferee, as the term is defined in the statute.

Court’s Reasoning

The Tax Court examined whether Englert met the definition of

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