32 T.C. 998 (1959)

A surviving joint tenant is personally liable for estate taxes on jointly held property included in the gross estate under 26 U.S.C. § 811(e) and the statute of limitations for assessing transferee liability is extended by one year.

Summary

The U.S. Tax Court addressed the issue of transferee liability for estate taxes, specifically focusing on whether the statute of limitations barred the Commissioner's assessment against a surviving joint tenant. The court held that the statute of limitations did not bar the assessment, as the Commissioner had an extended period to assess liability against the transferee, and that the surviving joint tenant was personally liable for the estate tax. The court also determined that the Commissioner was not bound by the previous Commissioner's determination regarding the inclusion of trust corpus in the gross estate because the prior determination involved a question of law. The court's decision highlights the extended statute of limitations for transferee liability and the personal liability of surviving joint tenants for estate tax obligations related to jointly held property, even if the original estate tax was paid.

Facts

William P. Baker died in 1951. His wife, Melba Schuster, was appointed executrix and filed an estate tax return in 1952. The return included a 1941 trust for disclosure purposes, but excluded its corpus from the gross estate. The IRS initially assessed a deficiency, which was paid. Later, after the standard statute of limitations for the estate had expired, a second IRS commissioner (Harrington) determined an additional estate tax liability. This was based on the inclusion of the 1941 trust corpus, which the first commissioner had not included. The second commissioner also asserted that Schuster was personally liable as a transferee, because she had received jointly owned property with the decedent. The estate had not been distributed and had ample assets to pay the tax. Schuster contested the additional tax and the assertion of transferee liability.

Procedural History

The executrix (Melba Schuster) filed an estate tax return in 1952. The first Commissioner assessed a deficiency within the normal statute of limitations. The executrix paid the deficiency. A second Commissioner (Harrington) issued a notice of deficiency and asserted transferee liability against Schuster after the statute of limitations had run against the estate. Schuster contested the assessment in the U.S. Tax Court.

Issue(s)

1. Whether the undistributed corpus of the 1941 trust was properly included in the

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decedent’s gross estate under I.R.C. § 811(d).

2. Whether the statute of limitations barred the assessment of a deficiency against the petitioner as a transferee.

3. Whether Commissioner Harrington was bound by the earlier determination of his predecessor.

4. Whether the petitioner was liable as a transferee, given that the estate was solvent and had not been distributed, and whether this violated the Fifth Amendment.

Holding

1. Yes, because the decedent retained the power to revoke the trust with the consent of the beneficiary, thus falling under I.R.C. § 811(d).

2. No, because under I.R.C. § 900(b)(1), the Commissioner had an extra year to proceed against the transferee.

3. No, because the prior determination involved an interpretation of law, and the Commissioner is not bound by his predecessor’s interpretation of the law.

4. Yes, because the petitioner was a surviving joint tenant who received property includible in the gross estate under I.R.C. § 811(e), making her personally liable under I.R.C. § 827(b).

Court’s Reasoning

The court first determined that the trust corpus was properly included in the gross estate under I.R.C. § 811(d), because the decedent could revoke it with the consent of the beneficiary. Next, the court addressed the statute of limitations. It found that I.R.C. § 900(b)(1) provided an extended one-year period to assess liability against a transferee, starting from the expiration of the statute of limitations for assessing against the executor. Because Schuster was a

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