Estate of Amory Lawrence Haskell, Deceased, Blanche Angell Haskell, Executrix v. Commissioner of Internal Revenue, 58 T. C. 197 (1972)

The burden of state transfer inheritance tax can be shifted from the marital deduction property to the residue of the estate to maximize the marital deduction.

Summary

In Estate of Haskell v. Commissioner, the U. S. Tax Court determined that the New Jersey transfer inheritance tax should not reduce the value of property qualifying for the federal estate tax marital deduction. Amory Lawrence Haskell's will directed that the maximum marital deduction be set aside for his wife in trust. The court, applying New Jersey law, found that the testator intended for the residue of his estate to bear the inheritance tax, thus allowing the full value of the trust to qualify for the marital deduction. This decision was based on the will's language and the testator's clear intent to maximize the marital deduction, ensuring the widow received the largest possible tax benefit.

Facts

Amory Lawrence Haskell died testate on April 12, 1966, leaving a will that directed the executrix to set aside an amount equal to the maximum estate marital deduction in a trust for his surviving wife, Blanche Angell Haskell. The will did not specify how the New Jersey transfer inheritance tax should be paid. The estate filed a federal estate tax return claiming a marital deduction for the trust property. The Commissioner of Internal Revenue argued that the marital deduction should be reduced by the amount of the New Jersey transfer inheritance tax.

Procedural History

The estate filed a petition with the U. S. Tax Court contesting the Commissioner's determination of a federal estate tax deficiency of $186,393. 02. The parties stipulated to all facts, and the sole issue before the court was whether the marital deduction should be reduced by the New Jersey transfer inheritance tax.

Issue(s)

1. Whether the amount of the marital deduction allowable for property passing to the surviving wife in trust should be diminished by the New Jersey transfer inheritance tax.

Holding

1. No, because applying New Jersey law, the testator's intent was to have the residue of his estate bear the sole burden of the New Jersey transfer inheritance tax, allowing the value of the property in the trust for the benefit of the widow to qualify for the estate tax marital deduction undiminished by any New Jersey transfer

© 2025 SCOTUSreports.com. All rights reserved.

inheritance tax.

Court’s Reasoning

The Tax Court applied New Jersey law to interpret the testator’s intent as expressed in the will. The court noted that New Jersey law allows a testator to shift the burden of transfer taxes from beneficiaries to the estate. The will’s directive to set aside an amount equal to the maximum marital deduction was interpreted as the testator’s intent to maximize the marital deduction, which would be defeated if the trust property were reduced by the transfer tax. The court cited several New Jersey cases, including *Morristown Trust Co. v. Childs*, to support its interpretation that the will’s language constituted a testamentary provision shifting the burden of the transfer tax to the residue. The court concluded that the testator’s intent to provide his wife with the maximum marital deduction was clear and unambiguous, thus the marital deduction should not be reduced by the transfer tax.

Practical Implications

This decision clarifies that a testator’s intent to maximize the marital deduction can be upheld even when the will does not explicitly address the allocation of state transfer taxes. Estate planners should ensure that wills are drafted with clear language to shift the burden of such taxes to the residue, thereby preserving the full value of property intended for the marital deduction. This ruling may influence future estate planning strategies, particularly in states with similar transfer inheritance tax regimes, encouraging more precise language in wills to maximize tax benefits. Subsequent cases may reference Estate of Haskell to support the principle that a testator’s intent to maximize the marital deduction can override statutory presumptions about tax burdens.

© 2025 SCOTUSreports.com. All rights reserved.