***Estate of Crawford v. Commissioner, 54 T. C. 1093 (1970)***

An estate, as a distributee, can waive family attribution rules under section 302(c)(2) of the Internal Revenue Code for stock redemption purposes.

**Summary**

In Estate of Crawford v. Commissioner, the Tax Court held that the estate of Walter M. Crawford could waive the family attribution rules under section 302(c)(2) of the IRC, allowing the estate's stock redemption from Hawaiian Ocean View Estates (HOVE) and Crawford Oil Corp. (COCO) to be treated as a sale or exchange rather than a dividend. The court rejected the Commissioner's argument that only individuals, not estates, could file such waivers, emphasizing the clear language of the statute and the potential for absurd results if the Commissioner's interpretation were adopted. This decision impacts how estates and their beneficiaries can structure stock redemptions to achieve favorable tax treatment.

**Facts**

Walter M. Crawford and his wife Lillian owned one-third of the stock in HOVE and COCO as community property, with their sons Jack and Don owning the remaining two-thirds. Upon Walter's death in 1965, his estate and Lillian, as sole beneficiary, redeemed their shares in both corporations per a 1962 stock purchase agreement. The estate and Lillian filed amended tax returns in 1968, attaching section 302(c)(2) agreements to waive family attribution rules, seeking to treat the redemptions as a sale or exchange rather than dividends. The Commissioner challenged the estate's eligibility to file such agreements.

**Procedural History**

The Tax Court initially heard the case to determine the tax treatment of the stock redemptions. The Commissioner conceded the deficiency against Lillian but contested the estate's eligibility to waive family attribution rules. The Tax Court ruled in favor of the estate, allowing the redemption to be treated as a sale or exchange.

**Issue(s)**

1. Whether the Estate of Walter M. Crawford was eligible to waive the family attribution rules of section 318(a)(1) under section 302(c)(2).

**Holding**

1. Yes, because the unambiguous language of section 302(c)(2) allows an estate, as a distributee, to file a waiver agreement, and the Commissioner's interpretation would lead to absurd results.

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## Court’s Reasoning

The court focused on the statutory language of section 302(c)(2), which uses the term “distributee” without limiting it to individuals. The court rejected the Commissioner’s argument that legislative history restricted the waiver to individuals, noting that Congress deliberately used the broader term “distributee. ” The court also considered the potential for absurd results if the estate could not file a waiver, as it would lead to different tax treatments for the estate and Lillian, despite her being the sole beneficiary. The court emphasized that allowing estates to file waivers aligns with the intent of Congress to prevent family attribution from thwarting the termination of a shareholder’s interest. The court did not consider the alternative argument under section 302(b)(1) as it found the redemption qualified under section 302(b)(3).

## Practical Implications

This decision allows estates to file section 302(c)(2) agreements to waive family attribution rules, enabling them to treat stock redemptions as sales or exchanges rather than dividends. This ruling impacts estate planning and corporate tax strategies, particularly for family-owned businesses. It encourages attorneys to structure redemptions carefully to achieve favorable tax treatment for estates and their beneficiaries. Subsequent cases, such as Estate of Cullinan v. Commissioner, have applied this ruling, while others like Rev. Rul. 59-233 have been distinguished based on the Crawford decision’s interpretation of the statute. The decision underscores the importance of adhering to the statutory language over legislative history when it is unambiguous and prevents absurd results.

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