Estate of Efthimios D. Vriniotis, Deceased, Atlantic Bank of New York, Ancillary Administrator, Petitioner v. Commissioner of Internal Revenue, Respondent, 79 T. C. 298 (1982)

The estate of a dual U. S. -Greek citizen is subject to U. S. estate tax, with credits for foreign taxes paid, regardless of domicile at death.

Summary

Efthimios Vriniotis, a dual U. S. -Greek citizen, died domiciled in Greece. His estate, administered by the Atlantic Bank of New York, argued that it was exempt from U. S. estate tax under the U. S. -Greece Estate Tax Treaty. The U. S. Tax Court held that as a U. S. citizen at death, Vriniotis's estate was liable for U. S. estate tax on all assets, including those in Greece, but was entitled to a credit for Greek inheritance taxes paid. The court also found no reasonable cause for the estate's late filing of the tax return, upholding the addition to tax for the delay.

Facts

Efthimios Vriniotis, born in Greece, became a naturalized U. S. citizen in 1954 and lived in the U. S. until 1973 when he returned to Greece. He died there in 1974 without renouncing his U. S. citizenship. His estate included real property in Greece and bank accounts in the U. S. The estate tax return was filed over a year late, claiming no U. S. estate tax was due due to Vriniotis's Greek domicile.

Procedural History

The estate filed its return late, claiming no U. S. tax was due. The IRS determined a deficiency and addition to tax for late filing. The estate petitioned the U. S. Tax Court, which held that Vriniotis's estate was liable for U. S. estate tax and upheld the addition to tax for late filing.

Issue(s)

1. Whether Efthimios Vriniotis was a U. S. citizen at the time of his death, making his estate liable for U. S. estate tax.
2. Whether the U. S. -Greece Estate Tax Treaty exempts the estate from U. S. estate tax.
3. Whether there was reasonable cause for the late filing of the estate tax return.

Holding

1. Yes, because Vriniotis was a naturalized U. S. citizen who never renounced his citizenship or performed an act of expatriation.
2. No, because the treaty does not exempt the estate of a U. S. citizen from U. S. estate tax; it only provides credits for foreign taxes paid.
3. No, because the estate did not exercise ordinary business care and prudence in

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filing the return on time.

Court’s Reasoning

The court applied the legal rule that U. S. citizenship, not domicile, determines estate tax liability. Vriniotis was a U. S. citizen at death, having never renounced his citizenship or performed an expatriating act. The court rejected the estate’s argument that the U. S. -Greece Estate Tax Treaty exempted the estate from U. S. tax, clarifying that the treaty only provides credits for foreign taxes paid and does not alter the U. S. tax liability of a U. S. citizen’s estate. The court also found no reasonable cause for the late filing, as the estate’s attorney did not timely seek competent tax advice or file based on the best available information.

Practical Implications

This decision clarifies that the estates of dual U. S. citizens are subject to U. S. estate tax on worldwide assets, with credits available for foreign taxes paid. It underscores the importance of timely filing estate tax returns, even if the estate’s tax liability is uncertain, and the need to seek competent tax advice in complex cases involving dual citizenship and foreign assets. The ruling may influence estate planning for dual citizens, emphasizing the need to consider U. S. tax implications regardless of domicile at death. Subsequent cases have followed this precedent in determining the estate tax liability of dual citizens.

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