Estate of Meyer v. Commissioner, 82 T. C. 270 (1984)

When calculating the Federal estate tax credit for prior transfers under section 2013, the credit must be computed separately for each transferor when there are multiple transferors.

Summary

Anna-Marie Meyer's estate sought a credit for Federal estate taxes paid on prior transfers from three deceased relatives. The issue was whether the credit under section 2013 should be computed separately for each transferor or aggregated. The Tax Court upheld the IRS's position that the credit must be calculated separately for each transferor, following Treasury regulations. This decision was based on the statutory language, legislative history, and the purpose of mitigating the impact of successive estate taxes. The ruling ensures that credits are accurately apportioned to reflect the tax paid by each transferor's estate.

Facts

Anna-Marie Meyer died on January 28, 1978. She inherited property from her mother, Florence W. Doherr, who died on January 12, 1975, valued at $32,047. 90 with estate tax of $2,435. 25. From her father, Rudolph Doherr, who died on August 13, 1975, she inherited $399,538. 20 with estate tax of $168,199. 50. From her husband, Edwin L. Meyer, who died on September 3, 1975, she inherited $79,301. 38 with estate tax of $2,474. 90. The IRS determined a deficiency in Meyer's estate tax, asserting a lower credit for prior transfers than claimed.

Procedural History

The Executor of Meyer's estate filed a petition challenging the IRS's deficiency notice. The Tax Court heard the case and decided in favor of the Commissioner, affirming the IRS's method of calculating the section 2013 credit separately for each transferor.

Issue(s)

1. Whether the credit for Federal estate tax on prior transfers under section 2013 must be computed separately with respect to the property received from each transferor when there are multiple transferors?

Holding

1. Yes, because the statutory language, legislative history, and Treasury regulations require separate computation of the credit for each transferor to ensure the credit reflects the tax paid by each transferor's estate.

Court's Reasoning

The Tax Court relied on the language of section 2013, which refers to a single "transferor" in subsections (a) and (b), while section 2013(c)(2) specifically addresses aggregation for the limitation calculation. The court noted that if Congress intended aggregation for the credit, it would have been explicitly stated. The court also found support in the legislative history, particularly in the Senate Report, which emphasized separate computation for each transferor. The court upheld the Treasury regulation as a reasonable interpretation of the statute, consistent with the purpose of mitigating successive estate taxes. The court rejected the petitioner's argument that aggregation was appropriate, as it could lead to unintended credits for properties from estates that paid no tax.

Practical Implications

This decision clarifies that when calculating the section 2013 credit for estates receiving property from multiple transferors, each transferor's contribution must be considered separately. Estate planners and tax professionals must apportion the estate tax limitation among transferors based on the value of property received from each. This ruling affects estate tax planning by requiring a more detailed analysis of prior transfers and their tax implications. It also reinforces the importance of following Treasury regulations in estate tax calculations, impacting how future cases involving multiple transferors are analyzed. Subsequent cases, such as Estate of Clayton v. Commissioner, have followed this precedent, affirming the need for separate calculations.