Estate of Marvin F. Pullin, Deceased, Benham M. Black, Executor, Petitioner v. Commissioner of Internal Revenue, Respondent, 84 T. C. 789 (1985)

The special use valuation election under IRC § 2032A does not require surviving tenants in common to sign the agreement for the election to be valid.

Summary

Marvin F. Pullin's estate elected special use valuation for farm property under IRC § 2032A, but the surviving tenants in common did not sign the required agreement. The Tax Court held that the regulation requiring all co-tenants to sign was invalid as applied to surviving tenants in common, who had no interest in the decedent's estate and thus were not required to sign. The court reasoned that the estate tax applied only to the decedent's interest, and the surviving tenants' interests remained unchanged by the decedent's death. This ruling clarified that the special use valuation election can be made without the signatures of surviving tenants in common.

Facts

At the time of his death, Marvin F. Pullin owned undivided interests as a tenant in common in two farm properties: a two-thirds interest in the Morris Mill Road Farm and a one-half interest in the Frog Pond Farm. His brother, Theodore Pullin, and sister, Bertie P. Parsons, owned the remaining interests and were not beneficiaries of Pullin's will. The estate elected special use valuation under IRC § 2032A for Pullin's interests in these properties. The Commissioner of Internal Revenue argued that the election was invalid because the surviving tenants in common did not sign the required agreement.

Procedural History

The estate filed a petition with the United States Tax Court after the Commissioner determined a deficiency in estate tax due to the lack of signatures from the surviving tenants in common on the special use valuation agreement. The case was submitted fully stipulated, and the Tax Court heard the case to determine the validity of the regulation requiring the signatures of all co-tenants.

Issue(s)

1. Whether the special use valuation election under IRC § 2032A is valid without the signatures of surviving tenants in common on the agreement required by IRC § 2032A(d)(2).

Holding

1. Yes, because the surviving tenants in common had no interest in the property designated in the agreement, and the regulation requiring all co-tenants to sign was

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invalid as applied to them.

Court’s Reasoning

The Tax Court interpreted IRC § 2032A(d)(2) to mean that only those with an interest in the decedent’s property, which is subject to estate tax, must sign the agreement. Since the surviving tenants in common did not receive any interest from the decedent and their property rights remained unchanged, they were not required to sign. The court invalidated section 20. 2032A-8(c)(2) of the Estate Tax Regulations, which required all co-tenants to sign, as it was inconsistent with the statute. The court emphasized that the special use valuation only applied to the decedent’s interest, and the surviving tenants’ interests were not affected by the decedent’s death. The court also noted that there was no legislative intent to subject the interests of non-decedent co-tenants to estate tax or recapture tax.

Practical Implications

This decision clarifies that estates can elect special use valuation under IRC § 2032A without obtaining the signatures of surviving tenants in common. Practitioners should ensure that only those with an interest in the decedent’s estate sign the agreement. This ruling simplifies the process of electing special use valuation for estates with tenancies in common. It also limits the impact of the recapture tax to the interests actually passing from the decedent, protecting the interests of surviving co-tenants. Subsequent cases have followed this precedent, reinforcing the principle that the special use valuation election does not extend to the interests of surviving tenants in common.

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