Estate of Gunland v. Commissioner, 93 T. C. 34 (1989)

An election for special use valuation under section 2032A requires strict compliance with the regulation's requirement to attach a recapture agreement to the original estate tax return.

Summary

In Estate of Gunland, the court addressed whether the estate's failure to attach a recapture agreement to its original estate tax return invalidated its election for special use valuation under section 2032A. The estate had timely filed its return and later attached the agreement with an amended return. The court held that the election was invalid because the regulation required the recapture agreement to be attached to the original return, rejecting the estate's arguments for substantial compliance and protective election. This decision underscores the necessity of strict adherence to the specific timing and filing requirements for electing special use valuation under section 2032A.

Facts

Carl C. Gunland died on February 10, 1981. His estate sought to elect special use valuation under section 2032A on its estate tax return filed on May 10, 1982, after receiving an extension. The estate's original return included computations reflecting special use valuations but did not include the required recapture agreement. The estate later filed an amended return on September 23, 1982, with the recapture agreement attached, dated April 14, 1982.

Procedural History

The Commissioner determined a deficiency in the estate's tax, leading to a dispute over the validity of the special use valuation election. The case was submitted fully stipulated to the Tax Court, which then considered whether the estate's failure to attach the recapture agreement to the original return invalidated its election.

Issue(s)

1. Whether the estate's failure to attach a recapture agreement to its original estate tax return defeats its attempted election of section 2032A special use valuation?

Holding

1. Yes, because section 20. 2032A-8(a)(3) of the Estate Tax Regulations requires that the recapture agreement be attached to the timely filed original return for a valid election under section 2032A.

Court's Reasoning

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The court emphasized that special use valuation under section 2032A is not automatically available but requires an election and the filing of a recapture agreement. The court rejected the estate's argument that the regulation requiring the agreement's attachment to the original return was invalid, finding it to be a legislative regulation authorized by the statute. The court further dismissed the estate's claims of substantial compliance and protective election, stating that the recapture agreement is integral to the statutory scheme and that the regulation's specific requirements preclude substantial compliance. The court cited previous cases to support its stance on the strict requirements of section 2032A, including Estate of Cowser and Estate of Abell.

Practical Implications

This decision reinforces the necessity for strict compliance with the timing and filing requirements of section 2032A elections. Practitioners must ensure that all required documents, including the recapture agreement, are attached to the original estate tax return to secure special use valuation benefits. The ruling may affect how estates plan their tax strategies, emphasizing the importance of timely and accurate filing. Subsequent cases have continued to uphold the strict compliance standard, influencing how similar cases are analyzed and reinforcing the importance of adhering to IRS regulations in estate planning.

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