Estate of Curtis H. Johnson, Deceased, Kirby Johnson, Personal Representative, Petitioner v. Commissioner of Internal Revenue, Respondent, 89 T. C. 127 (1987)

An untimely election for special use valuation under IRC Section 2032A is not effective for estates of decedents dying before January 1, 1982, even if it substantially complies with regulations.

Summary

The Estate of Curtis H. Johnson filed its estate tax return and attempted to elect special use valuation under IRC Section 2032A, 15 days late. The key issue was whether the estate could still benefit from this election despite the late filing. The Tax Court held that the election was ineffective because it was not timely filed as required by the statute in effect at the time of the decedent's death in 1981. The court reasoned that subsequent amendments to the law did not retroactively apply to allow late elections for estates of decedents dying before 1982. The estate was also found liable for an addition to tax for the late filing of the estate tax return.

Facts

Curtis H. Johnson died on October 12, 1981. His estate's tax return, due on July 12, 1982, was filed on July 27, 1982, 15 days late. The estate attempted to elect special use valuation under IRC Section 2032A for certain real property. The election was included in the estate tax return and complied with all regulatory requirements except for timeliness. The estate did not request an extension of time to file the return.

Procedural History

The Commissioner of Internal Revenue determined a deficiency in the estate's tax and an addition to tax for the late filing of the return. The estate petitioned the United States Tax Court for a redetermination of the deficiency and the addition to tax. The Tax Court ruled on the effectiveness of the special use valuation election and the addition to tax.

Issue(s)

1. Whether the estate effectively elected special use valuation under IRC Section 2032A by filing the election 15 days late, despite substantial compliance with regulatory requirements.
2. Whether the estate is liable for an addition to tax under IRC Section 6651(a) for failing to timely file its estate tax return.

Holding

1. No, because the election was not made within the time prescribed by IRC Section

© 2025 SCOTUSreports.com. All rights reserved.

2032A(d)(1) as it applied to estates of decedents dying before January 1, 1982. Subsequent amendments to the law did not retroactively apply to allow late elections for such estates.
2. Yes, because the estate did not timely file its estate tax return and did not provide evidence of reasonable cause for the late filing.

Court's Reasoning

The court applied the version of IRC Section 2032A(d)(1) in effect at the time of the decedent's death, which required the election to be made on a timely filed estate tax return. The estate's late filing meant the election was ineffective. The court rejected the estate's argument that IRC Section 2032A(d)(3), added in 1984, could be used to cure the untimeliness of the election. This section was intended to allow for the perfection of elections that substantially complied with regulations but were technically deficient, not to extend the time for making the election. The court noted that the 1981 amendment to IRC Section 2032A(d)(1), which allowed elections on late-filed returns, only applied to estates of decedents dying after December 31, 1981. The court also found the estate liable for the addition to tax under IRC Section 6651(a) due to the lack of evidence of reasonable cause for the late filing.

Practical Implications

This decision emphasizes the importance of timely filing estate tax returns and making special use valuation elections under IRC Section 2032A. For estates of decedents dying before January 1, 1982, practitioners must ensure that the election is made on a timely filed return. The ruling clarifies that subsequent legislative changes to IRC Section 2032A do not retroactively apply to allow late elections for such estates. Attorneys should advise clients to carefully review the applicable law at the time of the decedent's death and to file all necessary elections within the statutory deadlines. This case also serves as a reminder of the importance of requesting extensions if needed, as the court found no reasonable cause for the estate's late filing.

© 2025 SCOTUSreports.com. All rights reserved.