Estate of McAlpine v. Commissioner, 96 T. C. 134, 1991 U. S. Tax Ct. LEXIS 6, 96 T. C. No. 6 (1991)

An executor may perfect a special use valuation election under IRC § 2032A if the original election substantially complies with the regulations and missing signatures are provided within 90 days of notification.

Summary

The Estate of McAlpine elected to value a ranch under IRC § 2032A's special use valuation but failed to include the signatures of the trust beneficiaries on the recapture agreement. After the IRS notified the estate of the omission, the estate filed an amended agreement with the required signatures within 90 days. The Tax Court held that the election was valid because the estate had substantially complied with the regulations and timely perfected the election, allowing the special use valuation to apply.

Facts

Malcolm McAlpine, Jr. , died in 1984, leaving a ranch in Colorado to a trust for his three grandchildren. The estate timely filed a federal estate tax return, electing special use valuation under IRC § 2032A for the ranch. However, the recapture agreement attached to the return was signed only by the executrix-trustee, Jocelyn McAlpine Greeman, and not by the trust beneficiaries. Upon notification from the IRS of this deficiency, the estate filed an amended agreement within 90 days, which included the signatures of all beneficiaries.

Procedural History

The estate filed a timely federal estate tax return in 1984, electing special use valuation. The IRS later notified the estate that the election was invalid due to the missing signatures of the trust beneficiaries. The estate responded by filing an amended election and recapture agreement within 90 days, which included the required signatures. The IRS issued a notice of deficiency, and the estate petitioned the Tax Court for a redetermination.

Issue(s)

1. Whether the estate's election of special use valuation under IRC § 2032A was valid despite the initial omission of the trust beneficiaries' signatures on the recapture agreement.

Holding

1. Yes, because the estate substantially complied with the regulations by timely filing the election and providing all required information, and the missing signatures were supplied within 90 days of notification by the IRS, as permitted under IRC §

2032A(d)(3).

Court's Reasoning

The Tax Court found that the estate had substantially complied with the requirements for electing special use valuation under IRC § 2032A. The court interpreted IRC § 2032A(d)(3) to allow the executor to perfect an election by providing missing signatures within 90 days of notification. The court emphasized that the statute's purpose was to provide relief for estates that made good faith efforts to comply with the election requirements but had minor technical deficiencies. The court distinguished this case from prior cases where elections were invalidated due to more significant deficiencies or untimely corrections. The court also noted that Congress intended to make the special use valuation provisions available to deserving estates and that the IRS's position would frustrate this intent.

Practical Implications

This decision clarifies that estates can perfect a special use valuation election under IRC § 2032A by timely providing missing signatures or information upon IRS notification. Practitioners should ensure that all interested parties sign the recapture agreement at the time of filing but can take comfort that minor deficiencies can be corrected within 90 days. This ruling supports the continued use of special use valuation for family-owned farms and businesses, aligning with Congress's intent to provide tax relief to such estates. It also underscores the importance of understanding the procedural aspects of IRC § 2032A to avoid unnecessary tax burdens on estates that substantially comply with the law.

