

FEDERAL WEALTH TRANSFER TAXATION

CASES AND MATERIALS

SEVENTH EDITION

PAUL R. MCDANIEL

JAMES R. REPETTI

PAUL L. CARON

UNIVERSITY CASEBOOK SERIES®

FEDERAL WEALTH TRANSFER TAXATION CASES AND MATERIALS

SEVENTH EDITION

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© 2009 by THOMSON REUTERS/FOUNDATION PRESS
© 2015 LEG, Inc. d/b/a West Academic
444 Cedar Street, Suite 700
St. Paul, MN 55101
1-877-888-1330

Printed in the United States of America

ISBN: 978-1-60930-009-8

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To: Susan, Jane, Tom, and Caroline

J.R.R.

To: Courtney, Reed, and Jayne

P.L.C.

PREFACE

The seventh edition of *Federal Wealth Transfer Taxation*, like its predecessors, is a course book designed to examine the structure—and the policies that undergird that structure—of the federal wealth transfer tax system. We believe it is important for the student to understand the role a particular rule does or should perform in a transfer tax system viewed as an integral whole. The emphasis, therefore, is not primarily on estate planning, which focuses on the uses to which the tax advisor may put the rule. On the other hand, the ingenuity of tax planners in exploring—or exploiting—existing tax rules may reveal structural problems, theretofore unnoticed or unappreciated by those concerned with formulating tax policy. Therefore tax planning materials have been included where they seemed helpful both in illustrating the estate planner's approach and in exposing areas requiring further attention by policymakers.

The present volume reflects case law, administrative developments, and legislative changes in the wealth transfer tax system through May 1, 2015. We have included in this volume over 250 problems covering each chapter in the book (other than certain introductory chapters in Part One). Like other casebooks in the field, this volume contains an enormous amount of technical detail. In our experience, the problems help focus classroom discussion and provide a helpful roadmap of the course to students. Most of the problems previously were included in our standalone problem book.

This volume continues the prior format in discussing within each topic both the estate and gift tax provisions applicable to a particular type of transfer. This approach, we continue to believe, is sound because we feel that a fully unified transfer tax (in which transfers during life and at death are treated the same) is the norm against which existing law should be analyzed. Concurrent consideration of present estate and gift tax rules pertaining to a particular type of transfer facilitates consideration of the need for and the form of a completely unified transfer tax.

Any organizational format is, however, a matter of judgment. Therefore, we have attempted to present the materials in a manner that allows for individual preferences of teachers of taxation of wealth transfers. The materials can readily be used in rearranged form by those who prefer to treat the estate and gift taxes separately and by those who prefer to deal with the various provisions in the order set forth in the Code.

We recognize that there are almost as many techniques for teaching taxation of wealth transfers as there are teachers of the subject. An effort has been made, therefore, to present the materials in a form that can be readily adapted to different classroom approaches, whether that be the case method, the problem method, the clinical method or some

combination thereof. And, just as teachers of transfer taxation employ differing pedagogical techniques, they approach the subject with different objectives in mind.

Some stress breadth of substantive coverage; others emphasize detailed technical analysis of the statutory, regulatory, and case materials; still others focus primarily on the social and economic policies that underlie the technical tax provisions. It is our hope that the arrangement and content of the present volume will permit the use of any, or a combination, of these approaches. But the editorial effort—as well as the constraints of the time allotted for the course—in turn places on the individual instructor the task of selecting the material that can be conveniently covered to achieve the course objectives.

This book is, of course, intended to be used in conjunction with the Internal Revenue Code of 1986 and Treasury Department Regulations issued thereunder.

As to editorial details, the statutory references throughout are to the 1986 Code. Accordingly, the references in the cases and materials to the 1954 Code or prior statutes generally have been edited to conform to the 1986 Code. Ordinarily, the change is to omit the 1954 Code or other citation and to refer to it in brackets as “the former version,” “the predecessor of,” or in some instances simply to give the 1986 Code section if there has been no significant change in the statutory language. Where a significant change has occurred, that fact is noted and the prior language is given. The statutory and regulatory references at the head of each topic are not intended to be exhaustive. Rather, they represent only the essential portions of the Code and Regulation which the student must understand to obtain the framework for the cases and materials under the particular topic. Footnotes in cases and materials very frequently have been omitted. Editorial footnotes for cases and materials are so designated and are generally starred.

This is the first new edition to Federal Wealth Transfer Taxation since the July 16, 2010 death of our lead author, mentor, and dear friend, Paul McDaniel. Paul was a co-author of the original edition of this book in 1977, with Hank Gutman, Stanley Surrey, and Bill Warren, and remained as co-author of the five subsequent editions of the book. Being asked to join Paul as co-authors on this book was one of the proudest moments of our careers. In working with Paul through the years, we were repeatedly impressed by his encyclopedic knowledge of the tax law, clear yet elegant prose, and organizational genius. But what stands out most for us Paul’s incredible grace and patience in nurturing his colleagues. To recognize the continuing influence of Paul’s work, we have listed him as co-author.

We are indebted to Brendan Campbell, H. Will Mak, John McSweeney, Andrew Bibas and Scott Coleman, all students at Boston College Law School, for research and editorial assistance.

James R. Repetti
Paul L. Caron

May 2015

ACKNOWLEDGMENTS

We gratefully acknowledge the permission extended by the following authors and publishers to reprint excerpts from the works listed (numbers in parenthesis indicate the pages on which the excerpts appear):

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Real Property, Probate and Trust Journal: Chason & Danford, *The Proper Role of the Estate and Gift Taxation of Closely Held Businesses* (1997) (p. 776); and Report of Committee on Tax Aspects of Decedents' Estates, *Liability of Fiduciaries and Transferees for Federal Estate and Gift Taxes* (1967) (p. 786)

Emmanuel Saez and Gabriel Zucman, *Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data* (p. 40)

Tax Law Review: Repetti, *Minority Discounts: The Alchemy in Estate and Gift Taxation* (1995) (p. 228)

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