

Uterhart Vs. United States

Uterhart Vs. United States

SooperKanoon Citation : sooperkanoon.com/92421

Court : US Supreme Court

Decided On : Apr-03-1916

Appeal No. : 240 U.S. 598

Appellant : Uterhart

Respondent : United States

Judgement :

Uterhart v. United States - 240 U.S. 598 (1916)

U.S. Supreme Court Uterhart v. United States, 240 U.S. 598 (1916)

Uterhart v. United States

No. 214

Argued January 24, 1916

Decided April 3, 1916

240 U.S. 598

APPEAL FROM THE COURT OF CLAIMS

SYLLABUS

The right to succeed to property of a decedent depends upon, and is regulated by, state law. *Knowlton v. Moore*, [178 U. S. 41](#) .

The judicial construction of a will by a state court of competent jurisdiction determines not only legally, but practically, the extent and character of the interests taken by the legatees.

The court of the state in which the decedent's will was probated and having jurisdiction to construe the same, having decided that, as to the residuary estate, the will involved in this case constituted a trust continuing until after July 1, 1902, and that no beneficiary was entitled to receive anything except on affirmative exercise of discretion conferred upon the executors and trustees, *held* that the interests of the residuary legatees were contingent, and not vested prior to July 1, 1902, within the meaning of the Refunding Act of June 27, 1902, except as to such amounts as were actually paid to the legatees prior to that date by the trustees in the exercise of their discretion.

49 Ct.Cl. 709 reversed.

The facts, which involve the construction of the Refund Act of June 27, 1902, and right to recover certain taxes paid under the War Revenue Tax of 1898 on account of interests passing under a will, are stated in the opinion.

Page 240 U. S. 601

MR. JUSTICE PITNEY delivered the opinion of the Court.

This was a suit to recover succession taxes paid by appellants under the Act of June 13, 1898 (c. 448, 30 Stat. 448, 464), on account of interests in personal property passing to the residuary legatees under the will of Conrad Stein, deceased. It was brought under the Act of June 27, 1902 (c. 1160, 3, 32 Stat. 406), which provides for refunding "so much of said tax as may have been collected on contingent beneficial interests which shall not have become vested prior to July first, nineteen hundred and two." The testator was domiciled in the State of New York, and the will was probated and appellants were appointed

executors and trustees in that jurisdiction. The residuary legatees were seven of the nine children of testator, and at the time of his death on April 6, 1900, several of them were minors. All of the seven were living on July 1, 1902. The youngest, Carl Stein, had not attained the age of twenty-one years on that date. The residuary estate amounted to more than \$1,000,000, and the taxes collected with respect to it aggregated \$17,130.82, being based upon the theory that each of these legatees took a vested seventh interest at the death of the testator. If the taxes had been assessed on the advances actually made by appellants as executors and trustees for the benefit of the residuary legatees prior to July 1, 1902, they would have amounted to only \$745.12.

One of the clauses of the will contained words bequeathing the residuary estate outright to the seven children in equal shares, but this was qualified by inconsistent language in other clauses, and sometime prior to January 16,

Page 240 U. S. 602

1902, one of the executors brought suit in the Supreme Court of the State of New York against his coexecutors and the beneficiaries for a judicial construction of the will, and a decree was made on the date mentioned, of which the pertinent clauses are set forth in the margin. *

Page 240 U. S. 603

Testator's personalty passed under the will, and the executors and trustees proceeded under and complied strictly with the directions contained in it, as interpreted and construed by the decree.

The Court of Claims held (49 Ct.Cls. 709) that the interest bequeathed by the will to the residuary legatees was a vested estate, and not a contingent beneficial interest, citing *Vanderbilt v. Eidman*, [196 U. S. 480](#) , and *United States v. Fidelity Trust Co.*, [222 U. S. 158](#) .

It is very properly admitted by the government that the New York decree is in this proceeding binding with respect to the meaning and effect of the will. The right to

succeed to the property of the decedent depends upon and is regulated by state law (*Knowlton v. Moore*, [178 U. S. 41](#) , [178 U. S. 57](#)), and it is obvious that a judicial construction of the will by a state court of competent jurisdiction determines not only legally but practically the extent and character of the interests taken by the legatees.

It is, however, contended that the will, as thus construed, either gave the residuary estate absolutely to the children by name, share and share alike, postponing payment

Page 240 U. S. 604

merely until Carl died or reached majority, or that it gave the estate to them absolutely when Carl died or attained majority, meanwhile giving to each child the income of his or her proportionate share. With this view we cannot concur. The decree declares the true construction to be

"that the whole of his residuary estate, real and personal, should, so far as necessary, be applied to the support and education of his minor children, Josephine Stein, Paula Stein, Ella Stein, and Carl Stein, during the minorities if Carl Stein survive such period."

Then follows a clause to the effect that the trustees should apply the income to the support and education of the minor children until they respectively attain the age of twenty-one years, if Carl survive such period, and that, on his attaining the age of twenty-one or sooner dying, the testator gave, devised, and bequeathed the residue to the seven named (including Carl) in equal shares. A subsequent clause directs the executors and trustees

"to apply so much of the rents of the real estate, and of the income of the personal estate as shall be reasonable and proper, to the support and education of the testator's said minor children during their respective minorities as aforesaid."

They are empowered, during the minority of the minor children, "to pay over by way of advance" to the seven,

"in equal amounts or shares, so much of the capital of the testator's residuary personal estate, or the income thereof, as in their judgment they may deem reasonable so to pay over."

And, finally,

"the said executors and executrix and trustees shall not be compelled to make distribution of the principal of the estate or any part thereof, except in the exercise of their reasonable discretion, until the said Carl Stein attains the age of twenty-one years."

It will be observed not only that the trust continued until the youngest child reached the age of twenty-one, but that no one of the seven was entitled in the meantime to receive anything of either principal or income except

Page 240 U. S. 605

on the affirmative exercise of a discretion conferred upon the executors and trustees.

This having been authoritatively decided to be the true effect and meaning of the will, we are of opinion that the interests to which the residuary legatees succeeded were contingent, and not vested prior to July 1, 1902, within the meaning of the refunding act as construed in previous decisions of this Court upon the subject (*Vanderbilt v. Eidman*, [196 U. S. 480](#) , [196 U. S. 500](#) ; *United States v. Jones*, [236 U. S. 106](#) , [236 U. S. 111](#) ; *McCoach v. Pratt*, [236 U. S. 562](#)), except with respect to such amounts as were actually paid out of the trust fund by the trustees prior to that date in the exercise of their discretion, the proper tax upon which, according to the findings, would have been \$745.12.

The judgment will be reversed, and the cause remanded, with direction to enter judgment in favor of appellants for the tax collected in excess of that amount upon the interests of the residuary legatees.

Judgment reversed.

MR. JUSTICE Mc REYNOLDS took no part in the consideration or decision of this case.

*

"It is further ordered, adjudged, and decreed that it was the intention of the said Conrad Stein, and such is the true meaning and construction of his will, that the whole of his residuary estate, real and personal, should, so far as necessary, be applied to the support and education of his minor children, Josephine Stein, Paula Stein, Ella Stein and Carl Stein during the minorities if Carl Stein survive such period. To that end, he gave, devised, and bequeathed to Emil Heuel and Alexander Stein, his executors and trustees, and to Josephine Stein, his executrix and trustee, all his residuary estate, both real and personal, upon trust to receive the rents, issues, and profits and income thereof until his son Carl Stein attains the age of twenty-one years, and to apply the same to the support and education of the testator's said minor children, Josephine Stein, Paula Stein, Ella Stein, and Carl Stein, until they respectively attain the age of twenty-one years, if Carl Stein survive such period, and on Carl Stein attaining the age of twenty-one years, or sooner dying, the said testator gave, devised, and bequeathed the said residuary estate, both real and personal, to his children Charlotte Truebenbach, Wilhelmina Schneider, Elizabeth Heuel, Josephine Stein, Paula Stein, Ella Stein, and Carl Stein in equal shares and parts."

"The said executors and executrix and trustees are empowered by the said will to let and lease the said residuary real estate and to make such repairs and improvements upon said residuary real estate as in their judgment may be necessary. After the payment of taxes and other expenses of the administration of the estate, they are to apply so much of the rents of the real estate, and of the income of the personal estate, as shall be reasonable and proper to the support and education of the testator's said minor children during their respective minorities as aforesaid. The rents of the real estate are to be applied first to the uses aforesaid, and after making such application, the said executors and executrix and trustees are, from time to time, whenever they shall judge proper, to divide any surplus rents among the said testator's said children, Charlotte

Truebenbach, Wilhelmina Schneider, Elizabeth Heuel, Josephine Stein, Paula Stein, Ella Stein, and Carl Stein in equal proportions, the shares of any minor child to be paid to the guardian of that child's estate."

"The said executors and executrix and trustees are further empowered from time to time during the minority of the said minor children to pay over by way of advance to the said Charlotte, Wilhelmina, Elizabeth, Josephine, Paula, Ella, and Carl, in equal amounts or shares, so much of the capital of the testator's residuary personal estate, or the income thereof, as in their judgment they may deem reasonable so to pay over, the shares going to any minor children to be paid to the guardian of that child's estate."

"It is further ordered, adjudged, and decreed that the said executors and executrix are authorized and empowered, after Carl Stein shall have attained the age of twenty-one years, to sell and convey from time to time all or any part of the testator's residuary real estate."

"And it is further adjudged and decreed that the said executors and executrix and trustees shall not be compelled to make distribution of the principal of the estate or any part thereof, except in the exercise of their reasonable discretion, until the said Carl Stein attains the age of twenty-one years."