COURT OF APPEALS OF MARYLAND

Bandy v. Clancy, 449 Md. 577

144 A.3d 802 (2016) · No. No. 93, September Term, 2015 · Decided August 24, 2016

SUMMARY

The Maryland Court of Appeals interpreted Thomas L. Clancy's will and second codicil concerning the allocation of federal estate taxes among marital, family, and children's trusts. The court held that the second codicil qualified the family trust for the federal marital deduction and that a savings clause restricted payment of taxes from property allocated to the marital deduction. Consequently, the family trust was exempt from liability for federal estate taxes.

CASE DETAILS

COURT	Court of Appeals of Maryland
WRITING FOR THE COURT	Battaglia, J.; Barbera, C.J.; Greene, J.; Adkins, J.; McDonald, J.; Watts, J.; Hotten, J.; Lynne A. Battaglia, J. (Retired, Specially Assigned)
JURISDICTION	Maryland
DECIDED	August 24, 2016
DOCKET	No. 93, September Term, 2015
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from an Orphans' Court declaratory judgment construing a will and second codicil and determining whether a family trust was required to bear federal estate taxes.
STANDARD OF REVIEW	The court reviewed the Orphans' Court's legal conclusions de novo.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Michelle Bandy et al. and the Older Children v. Alexandra Clancy

TOPICS

estate tax · probate procedure · trusts · estate planning · statutory interpretation

PRACTICE AREAS

probate · estate administration · estate planning · trusts · estate tax · statutory interpretation

QUESTIONS PRESENTED

1. Whether the second codicil qualified the Family Trust for the federal estate-tax marital deduction through QTIP treatment.
2. Whether the amended marital-deduction savings clause prohibited the personal representative from charging federal estate taxes to the Family Trust despite the will's direction that taxes be paid from the residuary estate.
3. Whether the savings clause controlled over the inconsistent or conflicting tax-payment provision in the original will.

HOLDINGS

1. The Family Trust, as amended by the second codicil, was structured to qualify for the federal estate-tax marital deduction as qualified terminable interest property.
2. The Family Trust could not be burdened by payment of federal estate taxes.
3. The amended savings clause controlled over Item Third's general direction that estate taxes be paid from the residuary estate.
4. The court's paramount concern in construing the will and codicils was to ascertain and effectuate the testator's expressed intent from the instruments' plain language and their four corners.

KEY QUOTATIONS

> *"In conclusion, we hold that the property conveyed in the Family Trust as identified in Mr. Clancy's Will and Second Codicil cannot be burdened by the payment of federal estate taxes."* (449 Md. at 608)

> *"To resolve the ambiguity and apparent conflict, we rely on the interpretive aide of the Savings Clause to elucidate Mr. Clancy's intent."* (449 Md. at 599)

> *"The direction to obtain the maximum marital deduction is the clearest and the predominant evidence of Rodgers' intent."* (449 Md. at 600)

FACTUAL BACKGROUND

Thomas L. Clancy died in October 2013, leaving a will and two codicils that divided his residuary estate among a Marital Trust, a Family Trust benefiting his surviving wife, and trusts for his older children. The original will directed payment of estate taxes from the residuary estate but also contained a marital-deduction savings clause. A second codicil modified the Family Trust to satisfy QTIP requirements and expressly extended the savings clause to the Family Trust. The dispute was whether the Family Trust could be charged with federal estate taxes notwithstanding the general tax-payment provision.

PROCEDURAL HISTORY

After Thomas L. Clancy died, his will and two codicils were admitted to probate in Baltimore City. Alexandra Clancy petitioned the Orphans' Court for a declaration that the Family Trust was not obligated to pay estate taxes. The Orphans' Court held that the amended marital-deduction savings clause prohibited the personal representative from charging federal estate taxes to the Family Trust. The Court of Appeals affirmed.

DISPOSITION

affirmed

CASES CITED

- Gregory v. Helvering, 293 U.S. 465 (1935)
- Riggs v. Del Drago, 317 U.S. 95 (1942)
- Wiesenfeld v. Rosenfeld, 170 Md. 63, 183 A. 250 (1936)
- Pfeufer v. Cyphers, 397 Md. 643, 919 A.2d 641 (2007)
- Lederer v. Safe Deposit & Trust Co. of Baltimore, 182 Md. 422, 35 A.2d 166 (1943)
- Hutton v. Safe Deposit & Trust Co. of Baltimore, 150 Md. 539, 133 A. 308 (1926)
- Associated Professors of Loyola College of City of Baltimore v. Dugan, 137 Md. 545, 113 A. 81 (1921)
- Northeastern Pennsylvania Nat. Bank & Trust Co. v. United States, 360 F. Supp. 116 (M.D. Pa. 1973)
- Estate of James A. Fine v. Commissioner, 90 T.C. 1068 (1988)
- Estate of Posner v. Commissioner, 87 T.C.M. 1288 (T.C. 2004)
- Second National Bank of New Haven v. United States, 351 F.2d 489 (2d Cir. 1965)
- First National Bank of Atlanta v. United States, 634 F.2d 212 (5th Cir. 1981)
- Estate of Avery v. Commissioner, 40 T.C. 392 (1963)
- Noble v. Bruce, 349 Md. 730, 709 A.2d 1264 (1998)
- Johnson v. Hall, 283 Md. 644, 392 A.2d 1103 (1978)
- McIntyre v. Byrne, 217 Md. 71, 141 A.2d 692 (1958)