SUPREME COURT OF OHIO

In re Estate of Roberts

94 Ohio St. 3d 311 (Ohio 2002) · Decided February 27, 2002

SUMMARY

The Ohio Supreme Court held that the estate-tax exclusion in R.C. 5731.09(A) does not apply to funds transferred by a decedent from an employer-sponsored retirement account into an individual retirement account when the employer did not directly contribute to the IRA. Because the decedent's employer was not a party to or contributor under the IRA agreement, the disputed portion of the rollover IRA was included in the gross estate.

CASE DETAILS

COURT	Supreme Court of Ohio
WRITING FOR THE COURT	Cook, J.; Moyer, C.J.; Douglas, J.; Pfeifer, J.; Resnick, J.; F.E. Sweeney, J.; Lundberg Stratton, J.
JURISDICTION	Ohio
DECIDED	February 27, 2002
DISPOSITION	affirmed
PROCEDURAL POSTURE	The estate appealed the Second District Court of Appeals' reversal of a probate court ruling that excluded the disputed portion of a rollover IRA from the taxable gross estate. The Supreme Court of Ohio allowed a discretionary appeal.
STANDARD OF REVIEW	De novo statutory interpretation
PRECEDENTIAL VALUE	Published, precedential opinion of the Supreme Court of Ohio
PARTIES	Estate of Robert Lawrence Roberts v. Thomas M. Zaino, Tax Commissioner of Ohio

TOPICS

estate tax · probate procedure · statutory interpretation

PRACTICE AREAS

estate taxation · probate · statutory interpretation

QUESTIONS PRESENTED

1. Whether R.C. 5731.09(A) excludes from Ohio's taxable gross estate funds traceable to employer contributions to an employee retirement plan after the decedent transferred those funds to an individual rollover IRA to which the employer did not directly contribute.
2. Whether the second paragraph of R.C. 5731.09(A) is a tax-exemption provision that must be strictly construed against the taxpayer and in favor of taxation.

HOLDINGS

1. The second paragraph of R.C. 5731.09(A) is a tax-exemption provision, so any doubt about its meaning must be resolved in favor of taxation and against the exemption.
2. R.C. 5731.09(A) does not exclude from the taxable gross estate the value of funds transferred by the decedent from an employer-sponsored retirement account to an individual rollover IRA when the employer did not directly contribute to the IRA contract or agreement.

KEY QUOTATIONS

> *"Under R.C. 5731.09(A), the value of the gross estate includes the value of a rollover IRA that the decedent purchased and to which the decedent's employer or former employer did not directly contribute by reason of the decedent's employment."* (317)

> *"We therefore conclude that the second paragraph of R.C. 5731.09(A) is a tax-exemption provision."* (315)

FACTUAL BACKGROUND

Robert Lawrence Roberts retired from Pioneer Rural Electric Cooperative, whose employee retirement fund had received contributions from both Roberts and Pioneer. After retirement, Roberts transferred the remaining balance of that account to an individual IRA with Edward D. Jones & Company; Pioneer was not a party to or contributor to the IRA contract. At Roberts's death, the IRA was worth $597,347, and the parties stipulated that $574,633.06 was traceable to employer contributions and related earnings. The estate conceded that $22,713.94 attributable to Roberts's own contributions and related earnings was taxable, leaving only the employer-contribution-related amount in dispute.

PROCEDURAL HISTORY

The estate filed an Ohio estate tax return reporting no tax due and claimed that the entire rollover IRA was excluded under R.C. 5731.09(A). The Tax Commissioner assessed a $28,378.49 estate tax deficiency. The probate court ruled for the estate, but the Second District Court of Appeals reversed and held that the disputed IRA value was includable in the gross estate. The Supreme Court of Ohio affirmed.

DISPOSITION

affirmed

CASES CITED

- Davis v. Willoughby, 173 Ohio St. 338, 182 N.E.2d 552 (1962)
- Clark Restaurant Co. v. Evatt, 146 Ohio St. 86, 64 N.E.2d 113 (1945)
- Sims Bros., Inc. v. Tracy, 83 Ohio St. 3d 162, 166, 699 N.E.2d 50, 54 (1998)
- Lakefront Lines, Inc. v. Tracy, 75 Ohio St. 3d 627, 629, 665 N.E.2d 662, 664 (1996)
- Cleveland v. Bd. of Tax Appeals, 153 Ohio St. 97, 99-100, 91 N.E.2d 480, 482 (1950)
- Natl. Tube Co. v. Glander, 157 Ohio St. 407, 105 N.E.2d 648 (1952)
- Ares, Inc. v. Limbach, 51 Ohio St. 3d 102, 104, 554 N.E.2d 1310, 1312 (1990)
- Vought Industries, Inc. v. Tracy, 72 Ohio St. 3d 261, 264-265, 648 N.E.2d 1364, 1366-1367 (1995)
- In re Estate of White, 25 Ohio St. 3d 355, 357-358, 496 N.E.2d 888, 889-890 (1986)
- State ex rel. Foster v. Evatt, 144 Ohio St. 65, 56 N.E.2d 265 (1944)

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