

## BUREAU OF LAW

## MEMORANDUM

*Income Tax Determinations*  
*A-2*  
*Steele, Alfred N.*  
*(Est. of)*

TO: Commissioner Palestin

FROM: Mr. Kuperman

SUBJECT: Estate of Alfred N. Steele, Deceased -  
Income Tax Compromise

This will supplement memorandum dated January 27, 1966 to provide further information requested concerning the above estate.

The estate tax papers show there was a gross estate of \$1,155,829.73, deductions allowed of \$841,911.22 and the net estate was \$313,918.51. The Federal taxable estate was \$60,000 less. The net estate was further reduced in computing tax by the amount of \$43,012.51, representing dividends and insurance to decedent's son qualifying for exemption.

Although the total debts and expenses shown amounted to \$784,453.76, the amount allowed was limited to \$598,641.22 as representing probate assets available to satisfy claims. In computing the estate tax, indebtedness for Federal and State income tax is shown as undetermined for years 1950 through 1957, although tax is shown due for some of the years involved. As indicated in the prior memorandum, all of the decedent's Federal liabilities were settled for \$305,000 in a package which covered estate, gift and income tax liabilities.

It should further be noted that because of the estate's insolvency, nothing will pass under the terms of the will.

Assets included in the taxable estate but which are not available for payment of claims are shares in a cooperative apartment owned jointly with the surviving spouse valued at \$125,000, insurance payable to beneficiaries totalling \$153,012.51 and the right to compensation for two years payable to the surviving spouse valued at \$270,906.00.

While decedent owned shares of stock valued at \$156,000 at date of death, the stock had been pledged to secure a loan on which \$105,000 was outstanding. The other major asset is an option to purchase stock valued in the estate tax proceeding at \$249,918.75. Validity of the

option was the subject of stockholder suits in New York and Delaware according to the estate tax papers.

The executors have advised that they are seeking to compromise so that they may settle the estate completely. In addition to administration expenses of \$121,364.06 presently outstanding, there are the following claims asserted in addition to that of the State Tax Commission:

Combined claims of Lillian Steele and on behalf of Alfred N. Steele, Jr.	\$ 255,723.32
Claim of Joan Crawford Steele	97,534.02
Other Miscellaneous claims	<u>40,954.73</u>
	\$ 394,212.07

If the compromise is accepted, it is proposed that Joan Crawford Steele would assign her claim to Lillian Steele and all claims be settled by a 15% payment. Joan Crawford Steele would contribute to the estate the additional cash necessary to settle the litigation and close out the estate.

  
Associate Attorney

Enc.

MK:SC

February 14, 1966

## BUREAU OF LAW

## MEMORANDUM

TO: Commissioners Murphy, Palestin and Macduff

FROM: E. H. Best, Counsel

SUBJECT: Estate of Alfred N. Steele, Deceased -  
Offer In Compromise

Transmitted herewith is application for compromise of income taxes due from the above decedent for various years 1950 through 1959, together with a portion of the files relevant to the application. The estate is seeking to compromise the liability of the decedent in order to wind up administration and to settle litigation between a former wife of decedent and his surviving spouse.

The outstanding basic tax due from the decedent is \$40,222.20, according to memorandum to this office from the Income Tax Bureau dated October 25, 1965. The estate proposes to pay 15% of that amount, \$6,033.33, in full settlement of all its income tax liabilities to the State Tax Commission. In the course of administration, the estate has had already settled, apparently in a blanket settlement, decedent's liabilities for Federal estate tax, income tax, and gift tax for \$305,000. The estate tax proceeding has been concluded, and the tax fixed by order of the Surrogate has been paid.

The estate presently has assets of approximately \$120,000, and there are outstanding expenses of administration in excess of the amount of assets on hand. Claims for State income tax had been filed with the Executors, but this Bureau closed its file on the claims, which had been filed for only a part of the taxes due, because it appeared after the settlement with the Federal tax authorities that there would be no funds available for payment of any claims after the payment of administration expenses and Executors' commissions.

The proposed compromise, if accepted, would permit arrangements to be made for a contribution to assets by Joan Crawford Steele, decedent's surviving spouse and one of the Executors to the estate, the scaling down of some of the administration expenses, and the settlement of all claims including that of the State Tax Commission by the payment of 15% of the amounts claimed.

In view of the fact that the estate is insolvent, it falls within the provisions of subdivision 15th of Section 171 of the Tax Law. Furthermore, the assertion of the full amount of the tax claimed against the assets in the hands of the Executors would permit the successful interposition of a defense that administration claims exceed the value of assets in the estate and are payable before the claim of the State Tax Commission for income taxes. Under such circumstances, the amount offered in compromise is in excess of any amount which could be recovered through legal proceedings. It is, therefore, the recommendation of this office that the offer be accepted.

In the event the Commission concurs in such recommendation, it is requested that three copies of the enclosed acceptance of offer in compromise be executed and the file returned to this office for further processing.

E. H. Best  
Counsel

January 27, 1966

MK:kon

Enc.

STATE OF NEW YORK  
STATE TAX COMMISSION

In the Matter of the Application  
of

George C. Textor, Joan Crawford Steele and  
J. Lincoln Morris as executors of the estate of

ALFRED N. STEELE, deceased,

for compromise of income taxes owing for the years 1950 through 1959 pursuant to the provisions of paragraph 15, section 171 of the Tax Law.

: ACCEPTANCE  
: OF OFFER IN  
: COMPROMISE

George C. Textor, Joan Crawford Steele and J. Lincoln Morris, as executors of the estate of Alfred N. Steele, deceased, having filed an offer in compromise, verified December 3, 1965, pursuant to the provisions of section 171, paragraph 15 of the Tax Law, for compromise of income taxes owed by the above decedent, together with interest and penalties thereon under the provisions of Article 16 of the Tax Law; and

IT APPEARING that the present liability of the estate for income taxes amounts to \$40,222.20, plus penalties and interest thereon; and

IT FURTHER APPEARING that the estate of the decedent is insolvent; the outstanding liabilities being in excess of the assets presently in the hands of the executors; and

IT FURTHER APPEARING that the amount outstanding for administration expenses presently exceeds the value of the assets in the hands of the executors; and

IT FURTHER APPEARING by examining the petition and the records of said petitioner in the files of the State Tax Commission that the estate is insolvent and unable to pay the taxes, penalties and interest; and

IT FURTHER APPEARING that the amount of \$6,033.33 offered by the petitioner in compromise of the above mentioned income taxes is not less than an amount recoverable by the State Tax Commission through legal proceedings;

IT IS HEREBY ORDERED that the amount of the tax liability of the decedent for the years 1950 through 1959 be, and the same hereby is, compromised for the sum of \$6,033.33; and

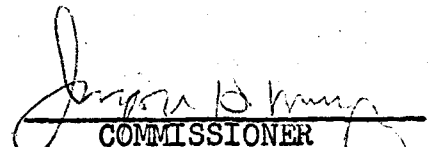
IT IS FURTHER ORDERED that such taxes be compromised upon payment of the sum of \$6,033.33 within 30 days after sending of notice to the petitioner of this order or within any extension of such period as may hereinafter be granted; and

- 2 -

IT IS FURTHER ORDERED that upon payment of said sum, satisfaction be issued upon any warrant docketed against said decedent by the State Tax Commission on account of the above mentioned taxes, penalties and interest.

Dated: February 21, 1966

STATE TAX COMMISSION

  
COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

APPROVED, This       day of February 1966 as required by Tax Law,  
Section 171, Subdivision 15.

Justice of the Supreme Court of  
the State of New York

## BUREAU OF LAW

## MEMORANDUM

TO: Deputy Commissioner Igoe

FROM: E. H. Best, Counsel

SUBJECT: Estate of Alfred N. Steele, Deceased -  
Offer In Compromise

RECEIVED  
NEW YORK STATE  
INCOME TAX BUREAU  
JAN 28 1966  
OFFICE OF THE  
DIRECTOR

Transmitted herewith pursuant to E Memorandum 65 is proposed offer in compromise in the above matter. Memorandum from this office to the State Tax Commission outlines the basis for recommendation that the offer be accepted.

If you concur, would you please indicate your approval and forward to the Commission for its action thereon.

*E. A. J.*

*2/1/66*  
*2 approved*

*E H Best*  
Counsel

January 27, 1966

MK:kon

Enc.

*approved*  
*2/9/66*