Experience

Stradley Ronon Secures Appellate Win in Denial of $26M Tax Refund by Billionaire's Estate

Stradley Ronon obtained a victory on behalf of the Pennsylvania Department of Revenue in a matter involving a $29 million inheritance tax refund claim brought by the estate of an heir of the Mellon family. In *Estate of Richard M. Scaife v. Pennsylvania*, Pittsburgh billionaire Richard Scaife's estate claimed a $29 million deduction from the Commonwealth based on a prior $200 million settlement with Scaife's children (and certain legal fees and other administrative expenses). The estate argued that the trustee indemnification agreements executed in conjunction with Scaife's receipt of more than $400 million in trust fund distributions were "bona fide" agreements and therefore the settlement amount was an estate expense that was tax-deductible.

A three-judge panel of the Commonwealth Court ruled the conflicts of interest regarding Scaife's lawyer — who was also his personal friend, an executive of his media companies, an executor of his estate, and a trustee of multiple trusts, including the trust holding a vast majority of the estate's assets — meant the indemnification agreements were not "bona fide" and the settlement payment was not tax-deductible. The court affirmed the lower court's ruling denying the tax-deductible status of the $200 million settlement and $1.6 million in attorney fees, but remanded to the lower court claims regarding the deduction of other administrative expenses.

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