

FOR PUBLICATION

UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

UNITED STATES OF AMERICA,

*Plaintiff-Appellant,*

v.

JAMES D. PAULSON, individually;  
and as statutory executor of the Estate  
of Allen E. Paulson; VIKKI E.  
PAULSON, individually; and as  
statutory executor of the Estate of  
Allen E. Paulson; and as Co-Trustee of  
the Allen E. Paulson Living Trust;  
CRYSTAL CHRISTENSEN,  
individually; and as statutory executor  
of the Estate of Allen E. Paulson; and  
as Co-Trustee of the Allen E. Paulson  
Living Trust; MADELEINE  
PICKENS, individually; and as  
statutory executor of the Estate of  
Allen E. Paulson; and as Trustee of the  
Marital Trust created under the Allen  
E. Paulson Living Trust; and as  
Trustee of the Madeleine Anne  
Paulson Separate Property Trust,

*Defendants-Appellees.*

No. 21-55197

D.C. No.  
3:15-cv-02057-  
AJB-NLS

OPINION

UNITED STATES OF AMERICA,

*Plaintiff-Appellee,*

v.

JOHN MICHAEL PAULSON,  
individually; and as Executor of the  
Estate of Allen E. Paulson; JAMES D.  
PAULSON, individually; and as  
statutory executor of the Estate of  
Allen E. Paulson, MADELEINE  
PICKENS, individually; and as  
statutory executor of the Estate of  
Allen E. Paulson; and as Trustee of the  
Marital Trust created under the Allen  
E. Paulson Living Trust; and as  
Trustee of the Madeleine Anne  
Paulson Separate Property Trust,

*Defendants,*

and

VIKKI E. PAULSON, individually;  
and as statutory executor of the Estate  
of Allen E. Paulson; and as Co-Trustee  
of the Allen E. Paulson Living Trust;  
CRYSTAL CHRISTENSEN,  
individually; and as statutory executor  
of the Estate of Allen E. Paulson; and  
as Co-Trustee of the Allen E. Paulson

No. 21-55230

D.C. No.  
3:15-cv-02057-  
AJB-NLS

Living Trust,

*Defendants-Appellants.*

Appeal from the United States District Court  
for the Southern District of California  
Anthony J. Battaglia, District Judge, Presiding

Argued and Submitted February 11, 2022  
San Francisco, California

Filed May 17, 2023

Before: Kim McLane Wardlaw, Sandra S. Ikuta, and  
Bridget S. Bade, Circuit Judges.

Opinion by Judge Bade;  
Dissent by Judge Ikuta

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## SUMMARY\*

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### Tax

The panel reversed the district court's judgment in favor of defendants, and remanded with instructions to enter judgment in favor of the government on its claims for estate taxes, and to conduct any further proceedings necessary to

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\* This summary constitutes no part of the opinion of the court. It has been prepared by court staff for the convenience of the reader.

determine the amount of each defendant's liability for unpaid taxes.

The United States sued several heirs of Allen Paulson, alleging that they were trustees of Paulson's trust or received estate property as transferees or beneficiaries, and were thus personally liable for estate taxes under 26 U.S.C. § 6324(a)(2). The United States also alleged that two of the heirs, Vikki Paulson and Crystal Christensen, were liable for estate taxes under California state law. The district court ruled in favor of defendants on the Tax Code claims, and in favor of the United States on the state law claims.

Allen Paulson died with an estate valued at nearly \$200 million, most of which was placed in a living trust. The estate was distributed among Paulson's heirs over the years. When the estate filed its tax return, it also paid a portion of its tax liability, and elected to pay the remaining balance in installments with a fifteen-year plan under 26 U.S.C. § 6166. After the estate missed some payments, the Internal Revenue Service terminated the § 6166 election and issued a notice of final determination under 26 U.S.C. § 7479. The IRS then recorded notices of federal tax liens against the estate. In the meantime, the various beneficiaries of the living trust settled their disputes, after which they claimed that the living trust had been "completely depleted."

The United States filed an action against the beneficiaries, seeking a judgment against the estate and living trust for the outstanding balance of the estate's tax liability. The United States also sought judgment against the individual defendants under 26 U.S.C. § 6324(a)(2), 31 U.S.C. § 3713, and state law. The district court concluded that defendant Madeleine Pickens was not liable for the unpaid estate taxes as a beneficiary of the living trust, and

that the remaining defendants were not liable for estate taxes as transferees or trustees because they were not in possession of estate property at the time of Allen Paulson's death.

The panel held that § 6324(a)(2) imposes personal liability for unpaid estate taxes on the categories of persons listed in the statute who have or receive estate property, either on the date of the decedent's death or at any time thereafter (as opposed to only on the date of death), subject to the applicable statute of limitations. The panel next held that the defendants were within the categories of persons listed in § 6324(a) when they had or received estate property, and are thus liable for the unpaid estate taxes as trustees and beneficiaries. The panel further held that each defendant's liability cannot exceed the value of the estate property at the time of decedent's death, or the value of that property at the time they received or had it as trustees and beneficiaries. The panel did not reach the state law claims, because its conclusion on the federal tax claims resolved the matter.

Judge Ikuta dissented. Disagreeing with the majority's statutory interpretation, she explained that the taxpayers' reading of the statute is more plausible, avoids an illogical result (namely, that a person who receives estate property years after the estate is settled could be held personally liable for estate taxes that potentially exceed the current value of the property received), and is a better indication of Congress's intent to impose such personal liability only on the date of the decedent's death.

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