1 T.C. 19 (1942)

A bequest in trust to aid needy individuals, with a preference for relatives and friends, qualifies as a charitable deduction for estate tax purposes if the primary purpose is charitable and not for private gain.

Summary

The Estate of Agnes C. Robinson sought to deduct the value of a residuary bequest to a trust established to aid needy individuals, with a preference for relatives and friends. The Commissioner of Internal Revenue disallowed the deduction, arguing the trust wasn't exclusively for charitable purposes. The Tax Court held that the bequest qualified as a charitable deduction because the trust's primary purpose was to provide aid to the needy, and the preference for relatives didn't negate its charitable nature. The court emphasized that the testator's intent was to serve a public good, unstained by selfish considerations.

Facts

Agnes C. Robinson died testate, leaving the residue of her estate to the National Savings & Trust Co. in trust. The will directed the trustee to use the income to aid individuals in need, particularly relatives and friends who might be hesitant to seek assistance publicly. The will also established a committee of ladies to advise the trustee in identifying worthy recipients. The trust fund generated approximately $4,000 to $4,500 annually, which was distributed beginning in November 1940.

Procedural History

The Estate filed an estate tax return claiming a deduction for the charitable bequest. The Commissioner disallowed the deduction, leading the Estate to petition the Tax Court for redetermination of the deficiency. The Tax Court reversed the Commissioner's decision, allowing the deduction.

Issue(s)

1. Whether a bequest in trust to aid needy individuals, with a preference for relatives and friends, is considered a transfer exclusively for charitable purposes under Section 812(d) of the Internal Revenue Code, thus qualifying for a deduction from the gross estate.

Holding

1. Yes, because the testator's intent was to create a public charity, and the preference for relatives and friends did not negate the overall charitable purpose.

Court's Reasoning

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The Tax Court reasoned that the key question was whether the trust was created

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