26 T.C. 257 (1943)

A bequest to a charitable hospital, the income from which is designated to provide special nursing care for graduate nurses who are patients at the hospital, qualifies as a charitable deduction for estate tax purposes, even if the beneficiaries are not explicitly limited to needy individuals.

Summary

The New York Trust Company, executor of Carolyn E. Gray's estate, sought a charitable deduction for a bequest to The Presbyterian Hospital to fund nursing care for graduate nurses. The IRS disallowed the deduction, arguing the bequest wasn't exclusively charitable because it didn't restrict benefits to needy nurses. The Tax Court ruled in favor of the estate, holding that providing nursing care to graduate nurses is a charitable purpose that benefits the community. The court emphasized the moderate income of most nurses and the broader benefit to society, even if some recipients weren't indigent.

Facts

Carolyn E. Gray's will created trusts, with the remainder interests designated for The Presbyterian Hospital in the City of New York. The will specified that the funds be used to create or supplement "The Kimber-Gray Fund." The net income from this fund was to be used by the Director of Nursing Service to provide special nurses and special nursing care for graduate nurses who were patients at the hospital. The Presbyterian Hospital is a corporation organized and operated exclusively for charitable purposes. The will did not restrict the benefits to needy or destitute graduate nurses.

Procedural History

The executor, The New York Trust Company, filed an estate tax return claiming a charitable deduction for the bequest to The Presbyterian Hospital. The IRS disallowed the deduction. The executor then filed a claim for a refund, which was also denied. The New York Trust Company then petitioned the Tax Court for a redetermination of the estate tax deficiency.

Issue(s)

Whether a bequest to a hospital, with the income designated for nursing care for graduate nurses (without restriction to needy individuals), qualifies as a charitable deduction under Section 812(d) of the Internal Revenue Code.

Holding

Yes, because providing nursing care to graduate nurses constitutes a charitable purpose that benefits the community, and the bequest was made to a hospital that is

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organized and operated exclusively for charitable purposes.

Court’s Reasoning

The court reasoned that the bequest met the requirements of Section 812(d) of the Internal Revenue Code, which allows deductions for bequests to corporations organized and operated exclusively for charitable purposes. The court considered the definition of

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