2 T.C. 963 (1943)

An organization that owns property and rents it at cost to an educational institution can be considered as operated exclusively for educational purposes under 26 U.S.C. 1004(a)(2)(B), even if it doesn't directly engage in educational activities such as teaching.

Summary

The Estate of Louise V. Simpson challenged a gift tax deficiency imposed by the Commissioner of Internal Revenue. Simpson had made a gift to the Unquowa Foundation, Inc., a non-profit organization that owned property rented at cost to the Unquowa School Association, an educational institution. The Commissioner argued the Foundation was not 'operated' for educational purposes. The Tax Court held that the gift was deductible, reasoning that the Foundation's activities furthered education by providing facilities to a school, thus meeting the requirements of 26 U.S.C. 1004(a)(2)(B).

Facts

Louise V. Simpson donated $10,000 to the Unquowa Foundation, Inc. on December 10, 1940. The Unquowa Foundation was a non-stock corporation organized in 1926 under Connecticut law, with the stated purpose of advancing primary and secondary education. Its sole activity was renting property to the Unquowa School Association, a separate non-profit entity that operated a school for boys and girls. The Foundation rented the property at cost and had no profits. The Commissioner conceded that no part of the Foundation's income was paid to any private stockholder and that the School Association was an exempt organization.

Procedural History

The Commissioner of Internal Revenue determined a gift tax deficiency of $594.00, arguing the gift to the Foundation was not deductible as a charitable gift under 26 U.S.C. 1004(a)(2)(B). The Estate of Louise V. Simpson, through its executors, petitioned the Tax Court for a redetermination of the deficiency.

Issue(s)

Whether a non-profit organization that owns property and rents it at cost to a school, without directly engaging in teaching or other traditional educational activities, is

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