Estate of Edwin E. Jack v. Commissioner, 6 T.C. 241 (1946)

For a charitable bequest to be deductible from a gross estate, its value must be presently ascertainable at the time of the testator's death, considering any potential diversions of the bequest.

Summary

The Tax Court addressed whether a charitable deduction should be allowed for a bequest where a trustee had the power to invade the corpus for the benefit of a life beneficiary. The court held that because the extent of the potential invasion was not limited by an ascertainable standard at the time of the testator's death, the value of the charitable bequest was not presently ascertainable, and the deduction was disallowed. The court emphasized that mere approximations of the charitable bequest's value are insufficient; a highly reliable appraisal is required.

Facts

Edwin E. Jack's will established a trust with income payable to his wife for life, and the remainder to several charities. The trustee had the power to invade the corpus of the trust for the "comfortable maintenance" of the wife. The wife died within a year of Edwin. The estate sought to deduct the value of the charitable remainder from the gross estate for tax purposes.

Procedural History

The Commissioner disallowed the charitable deduction claimed by the Estate of Edwin E. Jack. The Estate then petitioned the Tax Court for a review of the Commissioner's determination.

Issue(s)

Whether the value of the charitable remainder bequest was "presently ascertainable" at the time of the testator's death, given the trustee's power to invade the corpus for the life beneficiary's "comfortable maintenance."

Holding

No, because the power granted to the trustee to invade the corpus for the "comfortable maintenance" of the decedent's wife provided no ascertainable standard to determine how much of the corpus might be diverted from the charitable bequest at the time of the testator's death.

Court's Reasoning

The court relied heavily on *Merchants National Bank of Boston v. Commissioner*, 320 U.S. 256 (1943), which established that the value of a charitable bequest must

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be measurable as of the date of the decedent's death, considering the potential for corpus diversion. Treasury Regulations further stipulate that any power in a private donee or trustee to divert property from the charity limits the deduction to only that portion of the property exempt from such power. The court stated that the death of the life beneficiary shortly after the testator is irrelevant for valuation purposes. The court found the trustee's power to invade the corpus for the "comfortable maintenance" of the wife was not limited to her prior standard of living or any other ascertainable standard. Given the potential for the corpus to be diminished significantly over time, a "highly reliable appraisal" of the amount the charity would receive could not be made as of the testator's death. The court emphasized that "[r]ough guesses, approximations, or even the relatively accurate valuations on which the market place might be willing to act are not sufficient."

Practical Implications

Estate of Edwin E. Jack underscores the necessity of clearly defined standards when drafting wills and trusts that include charitable bequests and powers of invasion. To ensure a charitable deduction is allowed, the power to invade the corpus for the benefit of a non-charitable beneficiary must be limited by an ascertainable standard, such as the beneficiary's health, education, maintenance, or support. Vague or broad standards like "comfortable maintenance" without further limitations are unlikely to be sufficient. This case serves as a reminder that the potential impact of invasion powers on the charitable remainder must be predictable and reliably measurable at the time of the testator's death. Later cases have consistently applied this principle, often focusing on the specificity of the language used to define the trustee's invasion powers and whether that language provides a basis for objective valuation.

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