Estate of Annie Sells Latham, 6 T.C. 791 (1946)

A bequest for civic purposes within a city, designated as a memorial, is a charitable bequest deductible from the gross estate under Section 812(d) of the Internal Revenue Code, as the term "civic purposes" inherently excludes propaganda or legislative activities.

Summary

The Tax Court addressed whether a $50,000 bequest to Christ Episcopal Church of Houston, Texas, for "civic purposes" as a memorial to the decedent's father qualified as a charitable deduction under Section 812(d) of the Internal Revenue Code. The IRS disallowed the deduction, arguing a lack of charitable intent and the term's potential breadth. The Court held that the bequest was indeed deductible, finding a clear charitable intent and interpreting "civic purposes" as excluding propaganda and legislative activities, thus meeting the requirements for a charitable deduction.

Facts

Annie Sells Latham's will included a $50,000 bequest to Christ Episcopal Church of Houston to be used for "civic purposes" in the city. The bequest was designated as the "Captain Lodowick Justin Latham Memorial." The decedent intended to inform the trustees of the specific use of the funds but failed to do so. The will stipulated that if she did not specify the use, the trustees were to determine the civic purpose.

Procedural History

The IRS disallowed the deduction of the $50,000 bequest from Latham's gross estate. The Estate of Annie Sells Latham then petitioned the Tax Court for a redetermination of the estate tax deficiency.

Issue(s)

Whether a bequest to a church for "civic purposes" in a city, intended as a memorial, qualifies as a charitable contribution deductible from the gross estate under Section 812(d) of the Internal Revenue Code.

Holding

Yes, because the term "civic purposes," in its generally accepted meaning, excludes the concept of propaganda or legislative activities and is considered a charitable use benefiting an indefinite number of people within the city.

Court's Reasoning

The court emphasized the importance of ascertaining the decedent's intention, noting that the law favors charitable bequests and requires a broad and liberal

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construction when a general charitable purpose is evident. The court cited precedent such as *St. Louis Union Trust Co. v. Burnet*, 59 Fed. (2d) 922, and *Brown v. Commissioner*, 50 Fed. (2d) 842, to support the view that ambiguous language should be construed to support the charity. The court interpreted the phrase "civic purposes" in Houston as a mandate for the trustees to use the fund for the benefit of the city or its inhabitants. Drawing from Webster's New International Dictionary and Black's Law Dictionary, the court defined "civic" as relating to a city or citizenship, or to man as a member of society. The court also cited the Restatement of the Law of Trusts, sec. 373 (c), indicating that a bequest for the benefit of a town or city is charitable. The court stated: "We think the term 'civic purposes,' in its generally accepted meaning, excludes the concept of propaganda or legislative activities." The memorial designation did not negate the charitable purpose but merely provided a name for the chosen civic endeavor.

Practical Implications

This case provides guidance on interpreting testamentary language related to charitable bequests. It clarifies that bequests for "civic purposes" can qualify for estate tax deductions, provided the context and surrounding language suggest a benefit to the community and exclude political or legislative activities. Legal professionals should analyze similar bequests with a focus on the testator's intent and the common understanding of the terms used. The case reinforces the principle that courts will broadly construe charitable bequests to uphold their validity. Later cases would need to consider if the specific civic purpose chosen by the trustees aligns with the definition outlined in this case to qualify for the deduction.

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