

Estate of Lathram v. Commissioner, 3 T.C. 40 (1944)

A bequest to a trustee for “civic purposes” within a specific city constitutes a charitable contribution deductible from the gross estate under Section 812(d) of the Internal Revenue Code because it benefits an indefinite number of people and serves a public purpose.

Summary

The Tax Court addressed whether a \$50,000 bequest to a church in Houston, TX, designated 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 Commissioner argued the bequest lacked charitable intent and the term “civic purposes” was too broad. The court held that the bequest was indeed for civic purposes, which benefits the city and its inhabitants, is therefore a charitable bequest, and is deductible from the gross estate.

Facts

The decedent, through her will, bequeathed \$50,000 to the Christ Episcopal Church of Houston, Texas. The will stipulated that the funds, or their income, were to be used by the trustees for “civic purposes” in Houston. The bequest was designated as the “Captain Lodowick Justin Latham Memorial”, but the exact usage was to be determined by the decedent during her lifetime, and if she failed to do so, by the trustees. The decedent did not specify the exact use of the funds to the trustees before her death.

Procedural History

The Commissioner disallowed the deduction of the \$50,000 bequest from the decedent’s gross estate. The Estate petitioned the Tax Court for a redetermination of the deficiency. The Tax Court reviewed the Commissioner’s decision.

Issue(s)

Whether a bequest to a trustee to be used for “civic purposes” in a specific city 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 primarily benefits the public, therefore, the bequest is a charitable deduction from the gross estate under Section 812 (d) of the Internal Revenue Code.

Court’s Reasoning

The court emphasized the importance of ascertaining the decedent's intention when determining whether a bequest qualifies under Section 812(d). It stated that since the law favors charitable bequests, a broad and liberal construction should be applied to the language used by the testatrix if a general charitable purpose is apparent. The court stated that the plain meaning of the will's provision mandated the trustees to use the fund solely for "civic purposes" within Houston. The designation as a memorial only meant the use would be named in honor of Captain Latham, not that it changed the civic purpose of the bequest. The court referenced Webster's and Black's Law Dictionary to define "civic" as relating to a citizen, a city, or civil affairs. It cited the Restatement of the Law of Trusts, Sec. 373(c), which stated that a bequest for the benefit of a town or city, without specifying the method of applying the property, is charitable. The court concluded that the bequest was for the benefit of Houston and its inhabitants, imposing a mandatory duty on the trustees to apply the fund for that charitable purpose.

Practical Implications

This case provides precedent for interpreting the term "civic purposes" in the context of charitable bequests. It reinforces the principle that bequests benefiting a city or its inhabitants generally qualify as charitable, even without explicit charitable language. Attorneys should cite this case when arguing for the deductibility of bequests with similar language, emphasizing the broad interpretation given to charitable intent. The case also illustrates that the designation of a bequest as a "memorial" does not negate its charitable nature if its purpose aligns with public benefit. This ruling helps in estate planning by allowing more flexibility in drafting wills and trusts that promote community development without jeopardizing tax benefits.