5 T.C. 712 (1945)

Contributions to unincorporated volunteer fire departments qualify as deductible charitable contributions under Section 23(o)(2) of the Internal Revenue Code because these organizations serve a public purpose by preventing fires and protecting life and property, thus lessening the burden of government.

Summary

Roy C. McKenna sought to deduct contributions made to several volunteer fire departments on his 1940 federal income tax return. The Commissioner of Internal Revenue initially disallowed these deductions, arguing that volunteer fire departments did not qualify as charitable organizations under Section 23(o) of the Internal Revenue Code. The Tax Court considered whether these contributions were made to organizations operated exclusively for charitable purposes. The court held that unincorporated volunteer fire departments, dedicated to preventing fires and protecting communities, are indeed charitable organizations, and contributions to them are deductible for federal income tax purposes.

Facts

Petitioner Roy C. McKenna, a resident of Westmoreland County, Pennsylvania, made donations in 1940 to several unincorporated volunteer fire departments and hose companies in his vicinity. These organizations were dedicated to fire prevention and protecting life and property from fire and other disasters in their municipalities and surrounding areas. They were the sole fire prevention agencies in their communities, funded by voluntary contributions from municipalities, individuals, corporations, and fundraising activities. Members volunteered their services without pay, and no part of the organizations' earnings benefited any private individual or shareholder. They did not engage in political propaganda or legislative influence.

Procedural History

The Commissioner of Internal Revenue disallowed McKenna's deductions for contributions to volunteer fire departments on his 1940 income tax return. McKenna petitioned the United States Tax Court to contest this disallowance. The Commissioner conceded error regarding a deduction made to the Greensburg Volunteer Firemen's Relief Association but maintained the disallowance for other volunteer fire departments.

Issue(s)

1. Whether unincorporated volunteer fire departments qualify as organizations "organized and operated exclusively for charitable purposes" under Section 23(o)(2) of the Internal Revenue Code, making contributions to them deductible.

Holding

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1. Yes, because unincorporated volunteer fire departments, dedicated to preventing fires and protecting life and property, are considered charitable organizations within the meaning of Section 23(o)(2) of the Internal Revenue Code.

Court's Reasoning

The Tax Court reasoned that the term "charitable purposes" in Section 23(o)(2) should be liberally construed, citing precedents like *United States v. Proprietors of Social Law Library*. The court emphasized that the purpose of volunteer fire departments—preventing fires and protecting life and property—aligns with established interpretations of charitable activities. Referencing Pennsylvania Supreme Court decisions such as *Fire Insurance Patrol v. Boyd*, the Tax Court noted that extinguishing fires is a public duty, and agencies fulfilling this duty are considered public and charitable benefactions that lessen the government's burden. The court stated, "The provisions of this section, like the provisions exempting charitable corporations from tax, should be liberally construed, so that the result will not turn on accidental circumstances or legal technicalities." It concluded that contributions to these volunteer fire departments are "gifts and donations to charity" and are deductible under Section 23(o)(2).

Practical Implications

McKenna v. Commissioner provides a clear precedent for the deductibility of contributions to volunteer fire departments as charitable donations for federal income tax purposes. This case clarifies that the definition of "charitable purposes" extends to organizations performing essential public services, even if unincorporated and reliant on voluntary contributions. For legal practitioners and taxpayers, this decision confirms that donations supporting local volunteer fire services are tax-deductible, encouraging community support for these vital organizations. This ruling has been consistently applied in subsequent tax cases and IRS guidance, solidifying the charitable status of volunteer fire departments and their eligibility for deductible contributions.

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