Roy C. McKenna, 5 T.C. 712 (1945)

Contributions to volunteer fire departments are deductible as charitable contributions under Section 23(o)(2) of the Internal Revenue Code because these organizations operate for public purposes and lessen the burden of government.

Summary

The Tax Court held that a taxpayer could deduct contributions made to several volunteer fire departments under Section 23(o)(2) of the Internal Revenue Code as charitable contributions. These unincorporated associations were organized and operated for fire prevention and protection of life and property in their communities. The court reasoned that fighting fires is a public duty, and these volunteer fire departments relieve the government's burden, qualifying them as charitable organizations for tax deduction purposes.

Facts

Roy C. McKenna, a resident of Westmoreland County, Pennsylvania, made donations to several volunteer fire departments and hose companies in his community during 1940. These organizations were unincorporated associations dedicated to preventing fires and protecting life and property from fire and other disasters. They were the sole fire prevention entities in their areas, funded by voluntary contributions from municipalities, individuals, corporations, and fundraising activities. Members volunteered their services without compensation, and no part of the organizations' earnings benefited any private individual.

Procedural History

McKenna claimed a deduction on his 1940 federal income tax return for the donations made to the volunteer fire departments. The Commissioner initially disallowed the deduction but conceded error for a contribution made to the Greensburg Volunteer Firemen's Relief Association. The remaining disallowances were brought before the Tax Court.

Issue(s)

Whether contributions to volunteer fire departments are deductible under Section 23(o)(1) or (2) of the Internal Revenue Code as contributions to a political subdivision of a state for exclusively public purposes, or to a corporation or community fund organized and operated exclusively for charitable purposes.

Holding

Yes, because these volunteer fire departments are considered charitable organizations as they perform a public service by preventing and combating fires, thereby lessening the burden of the government. Contributions to these

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organizations are considered gifts and donations to charity.

Court’s Reasoning

The court reasoned that Section 23(o), similar to provisions exempting charitable corporations from tax, should be liberally construed. The court relied on Pennsylvania Supreme Court cases which held that fighting fires is a public duty, and agencies delegated with this authority are public agencies performing duties of a public character. The court referenced *Fire Insurance Patrol v. Boyd, 120 Pa. 624; 15 Atl. 553*. These agencies, organized as a public benefaction, lessen the burden of the government and are considered charitable within the broad sense of the term. Funds contributed to these agencies are held in trust for the public and can only be used to further the charitable purpose. The court concluded that the volunteer fire companies were organizations described under Section 23(o)(2), making the contributions deductible.

Practical Implications

This case establishes that contributions to volunteer fire departments can be considered charitable contributions for federal income tax purposes. It reinforces the principle that organizations providing essential public services, thereby relieving the government’s burden, may qualify as charitable organizations even if they are not formally incorporated. This decision provides guidance for analyzing similar cases involving contributions to organizations that perform functions traditionally associated with government entities. The ruling highlights the importance of considering the public benefit provided by an organization when determining its eligibility for charitable contribution status. It also highlights the importance of consulting state law to determine if providing fire protection is a duty of the state or its subdivisions.

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