6 T.C. 241 (1946)

A charitable bequest is deductible from a gross estate when the possibility of invading the trust principal for the benefit of a life beneficiary is remote due to the beneficiary's ample independent resources and a clearly defined standard for invasion (comfort and support).

Summary

The Estate of Edwin E. Jack sought to deduct charitable bequests from the gross estate. Jack's will established a trust providing his widow with income for life, and authorized the trustees to invade the principal for her "comfort and support" if the income was insufficient. The remainder was primarily designated for charities. The Commissioner disallowed the charitable deduction, arguing the potential invasion rendered the bequest too indefinite. The Tax Court, relying on prior precedent, held the charitable bequests were deductible because the widow had ample independent means and the standard for invasion was ascertainable, making invasion unlikely.

Facts

Edwin E. Jack died in 1942, leaving a gross estate of $731,107.31. His will created a trust with income to his wife, Mary Denny Jack, for life. The trustees had discretion to invade the principal for Mary's "comfort and support" if the income was deemed insufficient. Upon Mary's death, the remainder was to be distributed to various charities. At the time of Edwin's death, Mary, age 77, had her own securities valued at $99,462.66 and cash of $4,143.32. Her income from her own assets was approximately $7,000 per year, and she received $24,000-$30,000 annually from the trust. Her annual living expenses were less than $9,000 and her assets increased after Edwin's death.

Procedural History

The executors filed an estate tax return claiming a deduction for the charitable bequests. The Commissioner of Internal Revenue disallowed the deduction, determining a deficiency. The Estate petitioned the Tax Court for a redetermination of the deficiency.

Issue(s)

Whether the estate is entitled to a deduction for charitable bequests under Section 812(d) of the Internal Revenue Code, when the trust authorized the trustees to invade the principal for the benefit of the life beneficiary (decedent's widow) based on the standard of "comfort and support."

Holding

Yes, because the standard of "comfort and support" provided a fixed and

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ascertainable standard, and the likelihood of invasion was remote due to the widow's substantial independent resources, making the charitable bequests deductible.

Court's Reasoning

The Tax Court relied on *Ithaca Trust Co. v. United States, 279 U.S. 151*, which established that a charitable deduction is permissible if the power to invade the principal is governed by a fixed and ascertainable standard. The court distinguished *Merchants Nat. Bank of Boston v. Commissioner, 320 U.S. 256*, where the standard included the widow's "happiness," making it too speculative. The court reasoned that "comfort and support," while not expressly limited to the widow's current standard of living, effectively limited the trustees' discretion. The court stated, "With due regard to changes in cost, the power is intended only to secure to the beneficiary the kind of living to which she was accustomed." The court emphasized that the widow's substantial independent income, low living expenses, advanced age, and increasing assets made it unlikely that the trustees would need to invade the principal. The court concluded, "In these circumstances, we think there was no likelihood that the trustee would ever find it necessary to use the corpus for her support and comfort and that we are justified in concluding that it was reasonably certain that the remaindermen would come into the principal undiminished by any distribution to her."

Practical Implications

This case clarifies the circumstances under which charitable bequests are deductible, even when a trustee has the power to invade the principal for the benefit of a life beneficiary. It underscores the importance of a clearly defined standard for invasion, such as "comfort and support," and the significance of the beneficiary's independent resources. Legal practitioners should analyze similar cases by considering both the language of the will or trust instrument and the financial circumstances of the life beneficiary. Subsequent cases cite Estate of Jack for the proposition that a charitable deduction is allowable where the likelihood of invasion is remote and the standard for invasion is ascertainable. This case also emphasizes that terms like "comfort and support" provide an ascertainable standard, while terms like "happiness" do not.

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