***Estate of Schoonmaker, 6 T.C. 421 (1946)***

A charitable bequest is deductible for estate tax purposes even if a life beneficiary has a limited power to invade the trust principal, especially when the beneficiary disclaims that power, making the charitable interest more certain.

**Summary**

The Tax Court addressed whether an estate could deduct a charitable bequest where the decedent's widow had a life interest with a limited power to invade the trust principal. The trust instrument allowed invasion for the widow's "proper maintenance, support, comfort, and well-being." The widow later executed disclaimers of her right to invade the principal. The court held that the charitable bequest was deductible, emphasizing the limited nature of the invasion power and the effect of the widow's disclaimers, which further secured the charitable remainder.

**Facts**

James M. Schoonmaker, Jr., created a trust on December 21, 1938, naming the Union Trust Co. of Pittsburgh as trustee. The trust provided income to Schoonmaker for life, then to his wife, Lucy, for life, with the remainder to specified charities. The trustee had discretion to invade the principal for either beneficiary's "proper maintenance, support, comfort and well-being." Lucy also created a separate trust. Lucy later executed two disclaimers, relinquishing her rights to payments from the principal of James's trust and her rights to have the trust pay any inheritance, estate, or succession taxes due from her estate.

**Procedural History**

The executor of James M. Schoonmaker, Jr.'s estate, the Union Trust Co. of Pittsburgh, filed an estate tax return. The IRS determined a deficiency, disallowing the charitable deduction for the remainder interest. The estate petitioned the Tax Court for review.

**Issue(s)**

1. Whether the possibility of invasion of the trust principal for the benefit of the life beneficiary made the charitable bequest too uncertain to be deductible for estate tax purposes.
2. Whether the widow's disclaimers were effective to secure the charitable bequest, notwithstanding the trust's spendthrift provisions.

**Holding**

1. No, because the power to invade the principal was limited by an ascertainable standard, namely, the beneficiary's "proper maintenance, support, comfort,

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and well-being," and the beneficiary had significant independent resources.
2. Yes, because the disclaimers did not constitute an assignment or disposition of the trust, but rather a relinquishment of a claim to payments from the principal, and Pennsylvania law now expressly permitted such disclaimers.

**Court's Reasoning**

The court distinguished *Merchants Nat. Bank of Boston v. Commissioner, 320 U.S. 256 (1943)*, noting that the invasion power here was not as broad as one permitting invasion for the beneficiary's "happiness." The court reasoned that the trust limited invasion to situations where the income was insufficient for the beneficiary's "proper maintenance, support, comfort and well-being." The court also considered the wife's independent wealth, making invasion less likely. Referring to *Ithaca Trust Co. v. United States, 279 U.S. 151 (1929)*, the court emphasized that the standard for invasion must be "fixed in fact and capable of being stated in definite terms of money." The court found that the disclaimers further solidified the charitable interest, regardless of prior Pennsylvania law restrictions on spendthrift trusts, particularly in light of the new Pennsylvania statute expressly permitting such disclaimers.

The court stated, "If, as respondent contends, the remainder of the trust here after the wife's life estate was prevented from vesting in the charities at the date of decedent's death solely by reason of the wife's right to invade the principal, then it must have fallen into the bequest as a result of the disclaimer of that right."

**Practical Implications**

This case illustrates that a charitable deduction is possible even with a limited invasion power, provided the power is governed by an ascertainable standard related to the beneficiary's needs. It highlights the importance of: (1) drafting trust instruments with clearly defined standards for invasion, (2) considering the beneficiary's other resources, and (3) utilizing disclaimers to solidify charitable interests where appropriate. The case also demonstrates how subsequent changes in state law can validate actions, such as disclaimers, that might have been questionable under prior law. Attorneys should carefully analyze both the trust language and the beneficiary's financial situation when advising clients on the deductibility of charitable bequests subject to invasion powers. Also, it is important to check for any changes in state laws that might impact the validity of disclaimers.

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