Estate of Elmer v. Commissioner, 6 T.C. 944 (1946)

A charitable deduction is allowable for estate tax purposes when the possibility of invading the trust corpus for the benefit of a non-charitable beneficiary is so remote as to be negligible, and the value of the charitable bequest is ascertainable.

Summary

The Tax Court held that a charitable deduction was allowable for estate tax purposes, even though the trustee had the power to invade the corpus for the benefit of the testator's widow, because the possibility of invasion was remote. The court reasoned that the widow had substantial income from other sources, lived frugally, and the trust income was more than sufficient to maintain her customary lifestyle. Therefore, the value of the charitable bequests was ascertainable at the time of the testator's death.

Facts

The decedent's will created a trust with income payable to his widow for life, and the remainder to designated charities. The will granted the trustee the power to invade the corpus if the net income of the trust, together with the widow's other income, was insufficient to provide her with "comfortable support and maintenance." The decedent and his wife had lived a modest, frugal life. At the time of his death, the widow was 69 years old and in good health. Her income from the trust was substantially more than she needed for her support, and her personal estate was increasing due to savings.

Procedural History

The Commissioner of Internal Revenue disallowed the estate's deduction for charitable bequests, arguing that the power to invade the corpus rendered the value of the charitable remainder unascertainable. The estate appealed to the Tax Court.

Issue(s)

Whether the value of charitable bequests is ascertainable, and thus deductible for estate tax purposes, when the trustee has the power to invade the corpus for the benefit of a non-charitable beneficiary.

Holding

Yes, because the possibility of invasion was so remote as to be negligible, given the widow's substantial income and frugal lifestyle, making the value of the charitable bequests ascertainable.

Court's Reasoning

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The court relied on the principle that the deductibility of charitable bequests depends on both the language of the power to invade the corpus and the likelihood of its exercise. The court distinguished this case from cases where the power to invade was based on subjective factors like “happiness” or “pleasure.” Here, the standard was “comfortable support and maintenance,” which the court deemed an objective standard limiting the trustee’s discretion to the widow’s customary mode of life. Considering the widow’s age, health, frugal lifestyle, and the substantial income she received from the trust, the court concluded that the possibility of invasion was remote. The court noted that the widow’s personal estate had steadily increased, further demonstrating that the trust income was more than sufficient for her needs. Therefore, the value of the charitable bequests was capable of definite ascertainment at the time of the testator’s death. The court stated, “Considering all the facts, we conclude that the possibility of the trustee’s ever having to exercise the power to invade corpus was so remote as to be negligible; consequently, the value of the charitable bequests was capable of definite ascertainment.”

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