8 T.C. 838 (1947)

A bequest to a cemetery for the perpetual care of a family lot in which the decedent was not buried is not deductible as a funeral expense for federal estate tax purposes, even if deductible under state law.

Summary

The Estate of John Maxwell Gillespie sought to deduct a $5,000 bequest to a cemetery for the perpetual care of a family burial lot where Gillespie's parents and siblings were buried, but where he was not interred. The Tax Court denied the deduction, holding that while Pennsylvania law allowed such a deduction for state inheritance tax purposes, federal estate tax law only permits deductions for expenses related to the decedent's own funeral and burial. The court emphasized that federal law does not extend to the perpetual care of burial places of others, even family members.

Facts

John Maxwell Gillespie died on December 6, 1943, a resident of Pittsburgh, Pennsylvania. His will included a bequest of $5,000 to Homewood Cemetery for the perpetual care of lot 161, where his parents and several siblings were buried. Gillespie himself was buried in a different cemetery, Allegheny County Memorial Park. The executors of Gillespie's estate paid the $5,000 bequest and claimed it as a deduction on the federal estate tax return, arguing it was either a charitable bequest or a funeral/administration expense.

Procedural History

The Commissioner of Internal Revenue disallowed the $5,000 deduction. The Estate then petitioned the Tax Court for a review of the Commissioner's determination. The Tax Court upheld the Commissioner's decision, finding no basis in federal law for the deduction.

Issue(s)

Whether a bequest to a cemetery for the perpetual care of a family burial lot, in which the decedent was not buried, is deductible as a funeral expense under Section 812(b)(1) of the Internal Revenue Code for federal estate tax purposes.

Holding

No, because the federal estate tax law relates to expenses of the decedent's funeral, and not to the costs of perpetual care of the burial places of others.

Court's Reasoning

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The court reasoned that Section 812(b)(1) of the Internal Revenue Code allows deductions for funeral expenses as are allowed by the laws of the jurisdiction under which the estate is being administered. While Pennsylvania law allowed a deduction for bequests for perpetual care of family burial lots, the federal law is more restrictive. The court emphasized that the federal law pertains specifically to the expenses of the *decedent's* funeral. The court stated: "The Federal law relates to expenses of the decedent's funeral, not to expenses of the funeral of any other, or to costs of perpetual care of the burial places of others." The court distinguished this case from *Estate of Charlotte D. M. Cardeza, 5 T.C. 202*, where a deduction was allowed for the perpetual maintenance of a mausoleum in which the decedent was buried, noting that Gillespie was not buried in the lot in question.

Practical Implications

This case clarifies that deductions for funeral expenses under federal estate tax law are narrowly construed. Attorneys must distinguish between expenses related directly to the decedent's own burial and those benefiting others. While state law may allow broader deductions for inheritance tax purposes, federal estate tax deductions are limited to expenses directly connected to the decedent's funeral and burial. This case serves as a reminder that federal tax law does not automatically adopt state tax law treatment of deductions. Later cases have cited Gillespie to reinforce the principle that federal tax deductions are a matter of federal law and must be specifically authorized by Congress.

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