16 T.C. 1315 (1951)

A charitable contribution is deductible in the year the check is delivered to the charity, even if the charity deposits the check in a subsequent year.

Summary

Estelle Broussard sought to deduct charitable contributions made via checks delivered to the Sisters of the Holy Cross on December 31, 1946. The checks were not deposited until 1947. The Tax Court held that the contributions were deductible in 1946. The court reasoned that delivery of the checks to a representative of the charity constituted payment in 1946, regardless of when the checks were actually deposited and cleared by the bank. This decision aligns with the principle that delivery to the payee signifies payment for tax purposes.

Facts

On December 31, 1946, Beaumont Rice Mills issued two checks totaling $6,000 payable to the Sisters of the Holy Cross. These checks were charged to the Broussard Trust, which in turn charged them to Estelle Broussard's account (the petitioner). C.E. Broussard delivered the checks to Sister Mary Rita Estelle, a member of the Sisters of the Holy Cross, for transmittal to the Order. The checks were not deposited and collected by the Sisters of the Holy Cross until 1947.

Procedural History

The Commissioner of Internal Revenue disallowed the deduction for 1946. Broussard petitioned the Tax Court for review. The Tax Court reversed the Commissioner's decision, holding that the contributions were deductible in 1946.

Issue(s)

Whether charitable contributions made via checks delivered to the charity on December 31, 1946, but not deposited until 1947, are deductible in 1946.

Holding

Yes, because delivery of the checks to the Sisters of the Holy Cross on December 31, 1946, constituted payment in that year, regardless of when the checks were deposited.

Court's Reasoning

The Tax Court relied on Section 23(o) of the Internal Revenue Code, which allows deductions for charitable contributions, payment of which is made within the taxable year. The court also cited Section 29.23(o)-1, Regulations 111, stating that a deduction is allowed only for contributions actually paid during the taxable year.

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The court emphasized that the checks were made out directly to the "Sisters of the Holy Cross" and delivered to Sister Mary Rita Estelle for direct transmittal to the Order. The court stated, "When this is done, we think a payment of the $6,000 in question to the Sisters of the Holy Cross took place on December 31, 1946." The court found no substantive distinction between this case and *Estate of Modie J. Spiegel, 12 T.C. 524*, where similar checks were deemed deductible in the year of delivery, not the year of deposit. The court reasoned that delivery to a member of the order was equivalent to delivery to the order itself, effectively transferring ownership of the funds at that time.

Practical Implications

This case provides clarity on the timing of charitable contribution deductions when payment is made by check. It reinforces the principle that a charitable contribution is deemed paid when the check is unconditionally delivered to the charity. Legal practitioners can use this case to advise clients on the proper timing for claiming charitable deductions. Taxpayers can rely on this case to support a deduction in the year of delivery, even if the check isn't cashed until the following year. The case highlights the importance of proper documentation, such as maintaining records of when checks were issued and delivered. Later cases have cited *Broussard* and *Spiegel* to reinforce the principle that delivery of a check constitutes payment, provided the check is honored upon presentation. This ruling benefits taxpayers by allowing them to plan their charitable giving strategically to maximize tax benefits within a given year.

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