20 T.C. 329 (1953)

A charitable contribution is deductible only in the tax year in which it is both delivered and accepted without substantial conditions.

Summary

John G. Donohue sought to deduct a charitable contribution to Carlisle Hospital in 1942. The Tax Court held that the contribution was not deductible in 1942 because it was subject to substantial conditions that were not met until January 12, 1943, when the hospital formally agreed to the conditions. Therefore, the contribution was deductible in 1943, the year the gift became unconditional and was accepted. The court emphasized that for a gift to be deductible, it must be given absolutely and irrevocably delivered to the donee.

Facts

In December 1942, John G. Donohue gave a check to Dr. Fickel, a representative of Carlisle Hospital, for a contribution. However, this contribution was contingent upon the hospital establishing a state clinic and securing a state grant. The hospital did not formally agree to these conditions and accept the contribution until January 12, 1943.

Procedural History

The Commissioner of Internal Revenue disallowed the deduction for the charitable contribution in Donohue's 1942 tax return. Donohue appealed to the Tax Court, arguing that the payment was made in 1942 and thus deductible in that year. The Tax Court reversed the Commissioner's determination, allowing the deduction for the 1943 tax year instead.

Issue(s)

1. Whether the contribution to Carlisle Hospital was considered "paid" in the taxable year 1942, thus entitling the petitioner to a deduction in that year, or whether it was paid in 1943.

Holding

1. No, because the contribution was subject to substantial conditions that were not met until January 12, 1943. The court held that the contribution was deductible in the 1943 tax year when the hospital formally agreed to the conditions and accepted the gift.

Court's Reasoning

The court reasoned that for a gift to be considered complete and deductible, it must

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be given absolutely and irrevocably delivered to the donee. Citing *Copland v. Commissioner*, 41 Fed. (2d) 501, the court emphasized that a gift subject to conditions does not take effect until the donee agrees to comply with those conditions and accepts the gift. The court stated, “The donor must vest legal title in the donee without reserving a power of revocation, and he must relinquish dominion and control of the subject matter of the gift by delivery to the donee.” Since the hospital’s acceptance of the conditions and the gift occurred in 1943, the payment was deemed to have occurred in that year. The court distinguished this case from *Estate of Modie J. Spiegel*, 12 T. C. 524, where the gift was absolute and delivery was made within the year the deduction was allowed.

Practical Implications

This case clarifies that a charitable contribution is deductible only when it is both delivered and unequivocally accepted by the donee. Attorneys advising clients on charitable giving should ensure that any conditions attached to the gift are clearly documented and accepted by the donee organization within the tax year for which the deduction is claimed. This ruling prevents taxpayers from prematurely claiming deductions for contributions that may not ultimately benefit the charity or are subject to contingencies. Later cases applying this ruling focus on the timing and completeness of the gift, scrutinizing the conditions attached and the donee’s acceptance to determine the appropriate tax year for the deduction.

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