

## ***Alice Tully v. Commissioner, 33 B.T.A. 710 (1935)***

A contribution to an organization, though exempt from income tax as a social welfare organization, is deductible as a charitable contribution only if the organization is operated exclusively for charitable purposes, broadly defined as any benevolent or philanthropic objective not prohibited by law or public policy that advances the well-being of man.

### **Summary**

Alice Tully claimed a deduction for her contribution to the Eagle Dock Foundation, which provided swimming and recreational facilities to the residents of Cold Spring Harbor school district. The IRS disallowed the deduction, arguing the Foundation wasn't exclusively charitable as required by the statute. The court held that the Foundation's purpose of providing recreational facilities to the community, especially those unable to afford them individually, met the broad definition of "charitable" under the Internal Revenue Code. It reversed the Commissioner's decision, allowing Tully's deduction because the organization operated to advance the well-being of the community, without any personal or selfish considerations.

### **Facts**

Alice Tully made a contribution to the Eagle Dock Foundation. The Foundation was established to provide swimming and recreational facilities for residents of the Cold Spring Harbor school district. The facilities were open to all residents, regardless of whether they contributed to the Foundation. No fees were charged for use of the facilities.

### **Procedural History**

The Commissioner of Internal Revenue disallowed Tully's deduction for her contribution to the Eagle Dock Foundation. Tully appealed the Commissioner's decision to the Board of Tax Appeals.

### **Issue(s)**

Whether Tully's contribution to the Eagle Dock Foundation was deductible under section 23(o)(2) of the Internal Revenue Code, which allows deductions for contributions to organizations organized and operated exclusively for charitable purposes.

### **Holding**

Yes, because the court found that the Eagle Dock Foundation was organized and operated exclusively for charitable purposes.

### **Court's Reasoning**

The court examined whether the Eagle Dock Foundation qualified as a “charitable” organization under Section 23(o)(2) of the Internal Revenue Code. The court noted that the term “charitable” has both a narrow and a broad meaning. The narrow definition includes gratuities for the needy, while the broad definition encompasses any benevolent or philanthropic objective that tends to advance the well-being of humanity. The court cited the definition of charity as “Whatever is given for the love of God, or the love of your neighbor, in the catholic and universal sense — given from these motives and to these ends, free from the stain or taint of every consideration that is personal, private, or selfish...” The court found that the Foundation’s purpose was to provide recreational facilities and that its operations showed no personal or selfish considerations. Because of these factors the court determined that the foundation was charitable within the meaning of the statute and allowed the deduction.

### **Practical Implications**

This case provides guidance on the deductibility of contributions to organizations that may be classified as social welfare organizations. It clarifies that even if an organization is exempt from income tax under a specific section, it must still meet the requirements of the deduction statute. The broad definition of “charitable” used by the court is significant for taxpayers and organizations. This case broadens the scope of organizations to which deductible contributions can be made, specifically those that promote social welfare in a non-profit, public-spirited manner. Organizations seeking tax-exempt status and donors seeking deductions should structure their activities and contributions in a way that aligns with this broad definition of charity, emphasizing public benefit and avoiding any perception of private benefit. The key takeaway is that the organization must be organized and operated to provide a public benefit that aligns with the charitable purpose.