22 T.C. 671 (1954)

A charitable contribution is not deductible if made to an organization a substantial part of whose activities consists of carrying on propaganda or otherwise attempting to influence legislation.

Summary

The case involved the deductibility of charitable contributions made by Murray and Agnes Seasongood to three organizations: the Hamilton County Good Government League (the League), the Murray Seasongood Good Government Fund (the Fund), and the Cincinnati League of Women Voters. The court considered whether the organizations qualified for tax-exempt status, which, in turn, determined the deductibility of contributions to them. The court held that contributions to the League and the Cincinnati League of Women Voters were not deductible because a substantial part of their activities involved attempts to influence legislation. However, contributions to the Fund were deductible because the Fund itself was organized for charitable purposes and did not engage in prohibited activities. Additionally, the court determined that contributions to the League and the Cincinnati League of Women Voters were not deductible as business expenses for Seasongood.

Facts

Murray Seasongood, a lawyer and former mayor of Cincinnati, and his wife, Agnes, made contributions to the League, the Fund, and the Cincinnati League of Women Voters. The League was dedicated to good government and engaged in activities like operating a radio forum and distributing voter information. The Cincinnati League of Women Voters aimed to promote political responsibility. The Fund was established to support good government initiatives. The IRS disallowed deductions for contributions to the League and the Cincinnati League of Women Voters, arguing they were not tax-exempt under section 23(o) of the Internal Revenue Code because they engaged in substantial political activity. The IRS allowed deduction of contribution to the Fund.

Procedural History

The taxpayers filed petitions in the United States Tax Court, challenging the IRS’s denial of their deductions for charitable contributions. The Tax Court consolidated the cases for hearing. The Tax Court considered the deductibility of certain contributions made by the petitioners in the taxable years. The Court found certain facts stipulated and other facts based on evidence presented at the hearing.

Issue(s)

1. Whether contributions to the Hamilton County Good Government League are deductible under Section 23(o) of the Internal Revenue Code.

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2. Whether contributions to the Cincinnati League of Women Voters are deductible under Section 23(o) of the Internal Revenue Code.

3. Whether contributions to the Murray Seasongood Good Government Fund are deductible under Section 23(o) of the Internal Revenue Code.

4. Whether the contributions by Murray Seasongood to the League and the Cincinnati League of Women Voters are deductible as ordinary and necessary business expenses under Section 23(a)(1)(A) of the Internal Revenue Code.

Holding

1. No, because a substantial part of the League's activities involved attempts to influence legislation.

2. No, because the record did not indicate that the Cincinnati League of Women Voters was organized and operated exclusively for educational purposes.

3. Yes, because the Fund was organized for purely charitable purposes and did not itself engage in substantial political activity.

4. No, because the contributions were for personal and not business reasons.

Court's Reasoning

The court applied Section 23(o) of the Internal Revenue Code, which allows deductions for contributions to organizations organized and operated exclusively for charitable, educational, or other specified purposes, provided that no substantial part of their activities involves carrying on propaganda or attempting to influence legislation. The court examined the activities of each organization. The court found that the League, through its legislative and election machinery committees, engaged in political activities, including endorsing candidates and sponsoring or opposing legislation, constituting a "substantial part" of its overall activities. Because of this, the League did not qualify for tax-exempt status under section 101(6) of the Internal Revenue Code, therefore, contributions were not deductible. For the Cincinnati League of Women Voters, the court found no evidence to show that the IRS erred in denying the organization tax exemption. However, regarding the Fund, the court found that the Fund was organized for charitable purposes and did not itself engage in substantial political activities, thus contributions made to it were deductible. Finally, the court decided the donations made by Murray Seasongood to the League and the Cincinnati League of Women Voters could not be considered as business expenses and, therefore, were not deductible.

Practical Implications

This case clarifies the limits on the deductibility of charitable contributions. It emphasizes that organizations involved in substantial political activity, even if they

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have charitable or educational purposes, may not qualify for tax-exempt status, and contributions to them will not be deductible. Attorneys advising clients on charitable giving must carefully examine the activities of the recipient organizations to determine if their political activities are “substantial.” The case also underscores the importance of the organization’s purpose and the nature of activities undertaken. Furthermore, the case provides guidance on the definition of “substantial part” of the activities, as the court applied the phrase in the context of legislative attempts to influence.

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