***24 T.C. 384 (1955)***

A legacy to an alumni association is deductible from the gross estate under the Internal Revenue Code if the association is organized and operated exclusively for educational or charitable purposes, and any non-educational or non-charitable activities are merely incidental to the primary purpose.

**Summary**

The United States Tax Court considered whether a bequest to the California Alumni Association was deductible from the gross estate under Section 812(d) of the Internal Revenue Code of 1939, which allows deductions for bequests to corporations organized and operated exclusively for educational or charitable purposes. The court held that the legacy was deductible. The court examined the Association's activities, including scholarship programs, publications, alumni clubs, and a summer camp. The Commissioner argued that certain social and recreational activities were substantial enough to disqualify the Association. However, the court found the Association's non-educational activities were merely incidental to its educational and charitable purposes, primarily focused on advancing the interests of the University of California.

**Facts**

Philip R. Thayer died on August 10, 1950. The executors of his will claimed a deduction for a bequest of $60,101.98 to the California Alumni Association. The University of California, the Association, and the California Alumni Foundation were key entities. The Association's activities included the California Alumni Scholarship Program, publication of the California Monthly, organization of alumni clubs, educational institutes, alumni counseling, and a summer camp. The Association had approximately 40,000 members. The Commissioner of Internal Revenue disallowed the deduction, arguing the Association's social and recreational activities were substantial enough to prevent it from being considered organized and operated exclusively for educational or charitable purposes.

**Procedural History**

The estate tax return was filed on November 6, 1951. The Commissioner assessed a deficiency and disallowed the deduction claimed for the bequest to the Alumni Association. The executors petitioned the United States Tax Court. A stipulation of facts was filed, and the court considered the case based on the stipulated facts, oral testimony, and exhibits. The Tax Court found that the legacy was deductible. The decision indicated that the case was decided under Rule 50.

**Issue(s)**

Whether the legacy to the California Alumni Association is deductible from the gross estate under section 812(d) of the Internal Revenue Code of 1939?

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## Holding

Yes, the legacy is deductible because the California Alumni Association is organized and operated exclusively for educational and charitable purposes, and any social or recreational activities are merely incidental to its primary purpose of advancing the interests of the University of California.

## Court’s Reasoning

The court relied on Section 812(d) of the Internal Revenue Code of 1939, which allows deductions for bequests to corporations organized and operated exclusively for educational or charitable purposes. The court noted the association’s stated purposes were to advance the interests of the University of California and to promote the welfare of its alumni. The court examined the Association’s activities, including its scholarship program, counseling, and educational institutes. The court considered whether social or recreational aspects of the Association’s activities were

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