

## ***Smith v. Commissioner, 59 T. C. 107 (1972)***

Unreimbursed out-of-pocket expenses incurred while performing volunteer services for a religious organization can be deductible as charitable contributions if they are incident to the services rendered.

### **Summary**

Travis Smith, a member of a nondenominational Christian assembly, claimed deductions for unreimbursed expenses incurred during evangelistic trips to Newfoundland in 1967 and 1968. The court ruled that these expenses were deductible as charitable contributions under Section 170 of the Internal Revenue Code, as they were incurred in furtherance of the church's evangelistic mission. The decision clarified that such expenses need not be under direct control or supervision of the charitable organization to qualify for deduction, but must be directly attributable to the charitable services performed.

### **Facts**

Travis Smith and his wife, members of a nondenominational Christian assembly in Ohio, undertook evangelistic trips to rural Newfoundland in 1967 and 1968. They distributed religious tracts, held meetings, and preached to local communities. Smith obtained letters of commendation from his assembly, reported back on his activities, and claimed deductions for unreimbursed expenses like travel, food, and car rental. The Commissioner of Internal Revenue challenged these deductions, arguing that the expenses were not contributions to or for the use of the church.

### **Procedural History**

Smith filed for deductions on his 1967 and 1968 tax returns, which were disallowed by the Commissioner. Smith then petitioned the Tax Court for a redetermination of the deficiencies. The Tax Court heard the case and issued its opinion in 1972.

### **Issue(s)**

1. Whether unreimbursed expenses incurred by Smith during his evangelistic trips to Newfoundland are deductible as charitable contributions under Section 170 of the Internal Revenue Code.

### **Holding**

1. Yes, because the expenses were incident to services rendered in furtherance of the church's evangelistic mission, and thus were contributions to or for the use of the church.

### **Court's Reasoning**

The court interpreted the phrase “to or for the use of” in Section 170(c) to include expenses incurred in furtherance of the church’s evangelistic mission, even without direct supervision or control by the church. The court emphasized that Smith’s trips were part of the church’s broader objective to propagate the faith, not merely a personal endeavor. The letters of commendation and subsequent reports to the church demonstrated church approval and support. The court cited Section 1.170-2(a)(2) of the Income Tax Regulations, which allows deductions for unreimbursed expenditures incident to donated services. However, the court limited deductions for food, laundry, and camping expenses to exclude costs related to non-participating children and other non-essential travelers. The court also disallowed car repair expenses due to lack of proof that they were directly attributable to the charitable use of the vehicle.

### **Practical Implications**

This decision expands the scope of deductible charitable contributions by clarifying that unreimbursed expenses for volunteer religious services can qualify, even if not directly supervised by the charitable organization. Legal practitioners should advise clients to document how expenses directly relate to charitable services and obtain some form of organizational approval or recognition. The ruling may encourage more volunteerism by allowing deductions for a broader range of out-of-pocket costs. However, practitioners must ensure clients understand the limits, such as not deducting expenses for non-essential participants or unrelated vehicle repairs. Subsequent cases, like Rev. Rul. 67-362 and Rev. Rul. 70-519, have applied similar principles to other volunteer services, reinforcing the precedent set by this case.