John D. Rockefeller Family Cemetery Corp. v. Commissioner, 63 T. C. 355 (1974)

A private family cemetery corporation can qualify for tax-exempt status under IRC section 501(c)(13) without serving public interests.

Summary

In John D. Rockefeller Family Cemetery Corp. v. Commissioner, the U. S. Tax Court addressed whether a private family cemetery corporation could be exempt from federal income tax under IRC section 501(c)(13). The petitioner, a nonprofit corporation established to manage a family cemetery, was denied tax-exempt status by the IRS, which argued that section 501(c)(13) only applied to public cemetery companies. The court rejected this argument, finding no statutory requirement for cemetery corporations to be public to qualify for the exemption. The court held that the petitioner met the criteria of section 501(c)(13) and was thus exempt from income tax, emphasizing the importance of interpreting statutes as written rather than reading in additional requirements.

Facts

The John D. Rockefeller Family Cemetery Corporation was formed under New York law in 1939 as a nonprofit family cemetery corporation. It was given land by John D. Rockefeller, Jr. , to be used solely for the burial of family members. The corporation received a bequest of $200,000 in 1960 from John D. Rockefeller, Jr. , to be used for the perpetual care of the cemetery. The IRS had initially recognized the corporation's tax-exempt status in 1940 but revoked it in 1968, asserting that section 501(c)(13) applied only to public cemetery companies, not private family cemeteries.

Procedural History

The IRS determined deficiencies in the petitioner's income tax for 1967 and 1968. The petitioner sought a redetermination of these deficiencies in the U. S. Tax Court. The court's decision was to be entered for the petitioner, affirming its tax-exempt status under section 501(c)(13).

Issue(s)

1. Whether a private family cemetery corporation can qualify for tax-exempt status under IRC section 501(c)(13) without serving public interests.

Holding

1. Yes, because section 501(c)(13) does not require a cemetery company to be public or to serve exclusively public interests. The court found that the petitioner, as a private family cemetery corporation, met the criteria set forth in the statute and was

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therefore exempt from federal income taxation under section 501(a).

Court’s Reasoning

The court’s decision rested on a straightforward interpretation of section 501(c)(13), which lists three independent tests for a cemetery company to qualify for tax exemption: ownership and operation exclusively for the benefit of members, non-profit operation, and operation solely for burial purposes without inuring net earnings to any private shareholder or individual. The IRS argued that the statute impliedly required cemetery companies to be public, but the court rejected this, stating that such a requirement was not in the statute and should be addressed to Congress if desired. The court reviewed the legislative history and found no support for the IRS’s position. It emphasized that other exempt organizations under section 501(c) also serve private interests, suggesting that the requirement for public service was not a universal condition for tax exemption. The court concluded that the petitioner met the statutory requirements and deserved the tax exemption.

Practical Implications

This decision clarifies that private family cemetery corporations can qualify for tax-exempt status under section 501(c)(13) without serving public interests. It reinforces the principle that tax exemptions should be interpreted based on statutory language rather than inferred requirements. For legal practitioners, this case underscores the importance of closely examining the text of tax statutes when advising clients on exemption eligibility. For cemetery corporations, particularly private ones, this ruling provides a clear precedent to seek tax-exempt status under the applicable provisions. Subsequent cases have followed this interpretation, ensuring that private cemetery companies can continue to claim exemptions if they meet the statutory criteria.

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