Peek v. Commissioner, 73 T. C. 912 (1980)

Contributions to a charitable trust are not deductible if the trust fails to timely file for tax-exempt status under section 501(c)(3).

Summary

In Peek v. Commissioner, Joseph T. Peek created a charitable trust in 1973 to fund Christian publications in Africa and Asia but did not file for tax-exempt status until 1976. The U. S. Tax Court granted the Commissioner's motion for summary judgment, ruling that Peek's 1974 contributions to the trust were not deductible because the trust failed to apply for tax-exempt status within the required 15-month period following its creation. The court clarified that only churches and closely related organizations are exempt from this filing requirement, not independent trusts like Peek's.

Facts

Joseph T. Peek created the St. Peter's Trust for Christian Publications in Africa and Asia on December 18, 1973. The trust's purpose was to fund Christian publications in Africa and Asia. Peek contributed $4,538. 74 to the trust in 1974. He mistakenly believed that a formal application for tax-exempt status was unnecessary. The trust applied for and received tax-exempt status under section 501(c)(3) in September 1976, effective from that date. Peek claimed a charitable deduction for his 1974 contributions on his tax return, which the Commissioner disallowed.

Procedural History

Peek filed a petition with the U. S. Tax Court contesting the Commissioner's disallowance of his charitable deduction. The Commissioner moved for summary judgment, asserting that the trust's failure to timely file for tax-exempt status precluded deductions for contributions made prior to the filing. The Tax Court granted the Commissioner's motion for summary judgment.

Issue(s)

1. Whether contributions to a charitable trust are deductible under section 170 when the trust fails to apply for tax-exempt status under section 501(c)(3) within 15 months of its creation.

Holding

1. No, because the trust did not file for tax-exempt status within the required 15-month period, and thus, contributions made during the period of non-exemption are not deductible under section 508(d)(2)(B).

Court's Reasoning

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The Tax Court applied sections 501(a), 501(c)(3), and 508(a) of the Internal Revenue Code, which require organizations to file for tax-exempt status within 15 months of their creation to be recognized as exempt retroactively. The court noted that the trust's late filing in 1976 meant it was not exempt for 1974, and thus, contributions made in that year were not deductible. The court rejected Peek's argument that the trust was exempt from filing under section 508(c)(1)(A), which applies only to churches and closely related organizations, not independent trusts like Peek's. The court also dismissed Peek's claim of reliance on IRS advice, stating that such advice does not excuse noncompliance with statutory requirements.

Practical Implications

This decision emphasizes the importance of timely filing for tax-exempt status for charitable organizations. Practitioners should advise clients to apply for exemption within 15 months of an organization's creation to ensure that contributions are deductible. The ruling clarifies that only churches and closely related entities are exempt from this requirement, impacting how independent charitable trusts are structured and managed. Subsequent cases have applied this ruling to similar situations, reinforcing the necessity of timely filing to secure tax benefits for donors.

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