Weingarden v. Commissioner, 86 T. C. 683 (1986)

Charitable contributions to veterans' organizations are subject to a 20% deduction limit rather than the 50% limit applicable to certain other charitable organizations.

Summary

In Weingarden v. Commissioner, the Tax Court ruled that contributions to a Veterans of Foreign Wars post were subject to a 20% deduction limit under IRC section 170(b)(1)(B), rather than the 50% limit under section 170(b)(1)(A). The taxpayers donated real estate valued at $435,000 to the Southgate Post, arguing it qualified for the higher limit. The court, however, determined that the organization's tax-exempt status under section 501(c)(19) did not meet the requirements for the 50% limit, which applies to organizations described in section 501(c)(3). This decision clarifies the deduction limits for contributions to veterans' organizations, impacting how taxpayers and tax professionals should approach such donations.

Facts

Earl and Shirley Weingarden donated real estate valued at $435,000 to the Southgate, Michigan Post of the Veterans of Foreign Wars on November 9, 1979. The Southgate Post was a nonprofit Michigan corporation exempt from federal income tax under IRC section 501(c)(19). The Weingardens claimed a charitable deduction for this donation on their 1979 federal income tax return, asserting it should be subject to the 50% of adjusted gross income limit under section 170(b)(1)(A). The Commissioner of Internal Revenue argued the contribution should be subject to the 20% limit under section 170(b)(1)(B).

Procedural History

The case was submitted to the U. S. Tax Court fully stipulated under Rule 122. The court reviewed the case and issued its opinion on the applicability of the charitable contribution deduction limits to veterans' organizations.

Issue(s)

1. Whether a charitable contribution to a veterans' organization exempt under IRC section 501(c)(19) qualifies for the 50% deduction limit under section 170(b)(1)(A)(viii).

Holding

1. No, because the reference in section 170(b)(1)(A)(viii) to section 509(a)(2) requires the organization to be described in section 501(c)(3), which veterans' organizations under section 501(c)(19) are not.

Court's Reasoning

© 2025 SCOTUSreports.com. All rights reserved.

The court analyzed the interplay between sections 170, 501, and 509 of the IRC. It noted that section 170(b)(1)(A)(viii) references organizations described in section 509(a)(2) or (3), which are typically section 501(c)(3) organizations. The court rejected the taxpayers' argument that section 170(b)(1)(A)(viii) was intended to include all organizations eligible for tax-deductible contributions under section 170(c) if they met the financial support requirements of section 509(a)(2). It found that the legislative history did not support expanding the 50% deduction limit to include veterans' organizations under section 501(c)(19). The court also noted that the Supreme Court in Regan v. Taxation with Representation of Washington had suggested, in dicta, that veterans' organizations were subject to the 20% limit. The court concluded that the Southgate Post's contribution was governed by the 20% limit under section 170(b)(1)(B).

Practical Implications

This decision clarifies that contributions to veterans' organizations, which are typically exempt under section 501(c)(19), are subject to the 20% deduction limit. Taxpayers and tax professionals must consider this when planning charitable contributions to such organizations. The ruling may impact the fundraising strategies of veterans' organizations, as potential donors may be less inclined to contribute if they cannot claim as large a deduction. Subsequent cases and tax law changes have not overturned this interpretation, reinforcing its application in tax planning. This case also underscores the importance of understanding the nuances of tax-exempt status and deduction limits when advising clients on charitable giving.

© 2025 SCOTUSreports.com. All rights reserved.