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Revenue Ruling 55-514

An individual is the sole stockholder of a corporation engaged in the distribution of a product, packaged and sold under a trade name. In order to stimulate business a plan was adopted by the individual to make payments to charitable organizations incidental to the sale of the product. The plan was to attach to each parcel offered for sale a tag, coupon, or certificate, stipulating, in effect, that the customer could have a part in the contributions made by the sole stockholder to organizations, contributions to which are deductible for Federal income tax purposes, by sending the tag to any such organization. Instructions on the tag provide that, upon presentation of the tag by the charitable organization to the sole stockholder, a contribution will be made to the charitable organization in exchange for each tag in the amount specified thereon. Held, the payments in question are not charitable contributions or gifts within the meaning of section 170 of the Internal Revenue Code of 1954 inasmuch as they are made by the stockholder in discharge of a legal obligation undertaken for his own economic benefit as sole stockholder of a [*2] corporation whose sales are expected to be increased in this manner. The consideration is the purchase of the product. Payments made for consideration are not generally considered contributions or gifts. See Leroy J. Robertson v. United States, 343 U. S. 711, 72 S. Ct. 994, 96 L. Ed. 1237, 1952-1 C.B. 66, 1952-2 C.B. 66, Ct. D. 1746, C. B. 1952-2, 66.