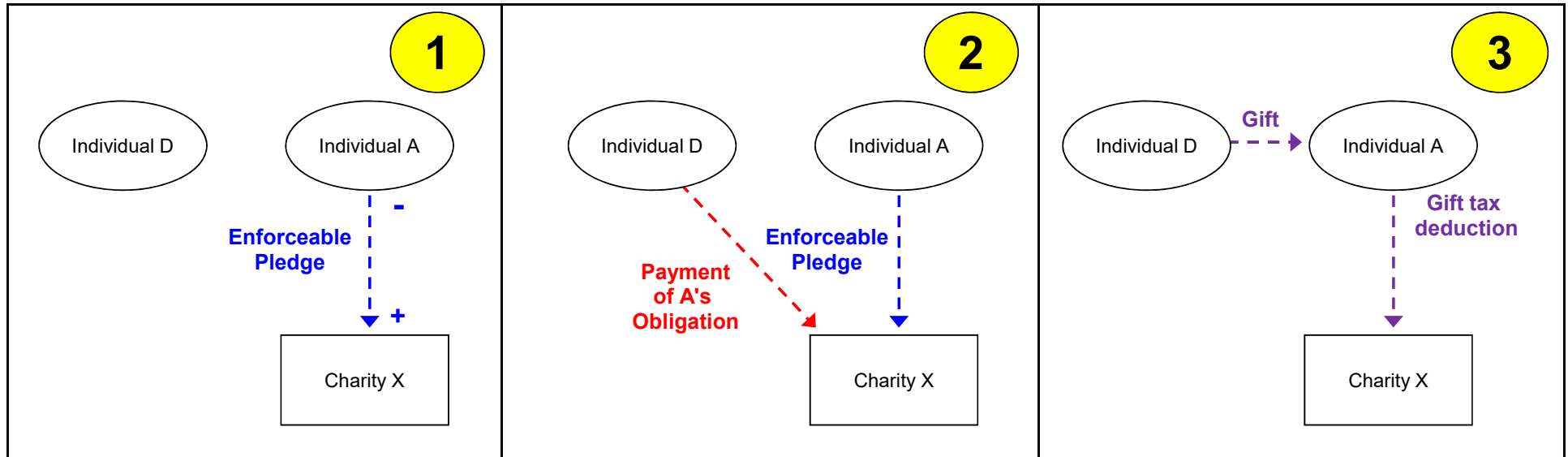


**Payment Of An Individual's Debt To A Charity  
By A Third Party Was A Gift To the Individual**

Initial Structure

Actual Transfer

Deemed Transfers



Individual A made a written pledge to contribute \$10 to Charity X. Relying on the pledge, X incurred expenses, by making improvements to its real property. Under local law a pledge to contribute money or property to a charity is regarded as a revocable offer that becomes irrevocable and legally binding when the charity has taken action in reliance on the promise.

Individual D paid A's pledge, advising X that A's debt was then being paid. D told A that the payment was a gift and that D did not expect any reimbursement from A.

The payment of money or property in satisfaction of an individual's legal obligation is equivalent to a payment directly to the individual.

In the present situation, the pledge was a binding obligation of A under local law since X had acted in reliance on A's pledge. Therefore, D's gratuitous payment of A's indebtedness was a gift to A rather than to X since the payment was in satisfaction of A's legal obligation.