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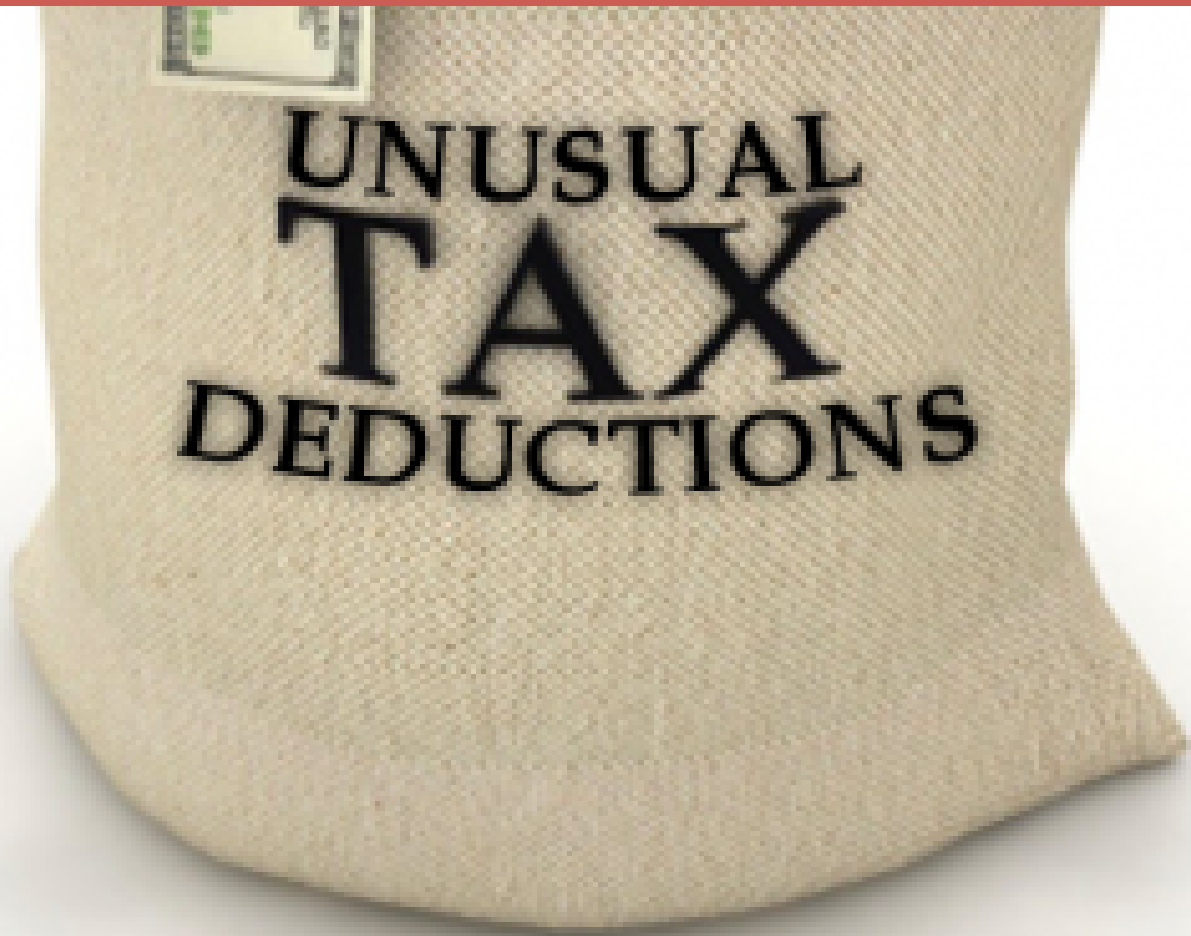
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Nov. 30, 2017

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UNUSUAL TAX DEDUCTIONS

The IRS keeps its sights set on large deductions for charitable gifts of property. Frequently, taxpayers may be inclined to claim inflated write-offs for donations, especially if the value of the property is difficult to determine. In a new case, the IRS shot down a deduction of \$1.45 million claimed by a big game hunter who donated animal specimens to charity (Gardner, TC Memo 2017-165, 8/24/17).

Generally, you can deduct the initial cost of property donated to a qualified charitable organization. However, if the property would have produced a long-term capital gain had it been sold instead of donated – in other words, it was held for more than one year – you can deduct the full fair market value (FMV) of the property. Of

course, FMV can be in the eye of the beholder, so it is critical to obtain an appraisal

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his previous experience, the taxpayer went on 20 to 25 safaris during the last two years.

Like many hunters, the taxpayer preserved the remains of the animals he had shot in a “trophy room” in his house. The trophy room featured a number of “full body mounts” (i.e., complete taxidermied animals), often lying on a rock or similarly displayed. He also had many “shoulder mounts,” which consisted of the heads and necks of the animals down to the breastplates. And he kept a variety of full animal skins displayed as wall hangings or rugs. Collectively, these are generally considered the most attractive and desirable types of hunting trophies.

Eventually, the taxpayer decided to donate a sizeable part of his collection to charity. After a consultation by an expert in the field, he selected a total of 177 items. These items included no full body mounts and only three shoulder mounts (one of which was a “European mount” featuring just the animal’s head). The remaining 174 items consisted of 58 skins and hides, 72 skulls (39 with horns or antlers), 15 horns, 15 antlers, 6 tails, 5 sets of hooves, 2 ears and 1 set of tusks.

Relying on an appraiser, the taxpayer claimed a \$1.45 million deduction, testifying that the items were of museum quality and should be valued at their replacement cost. But the IRS’ expert valued the donation at only \$163,000. After examining the facts, the Tax Court ruled that the specimens were commodities, not collectibles, and that their FMV should be based on the market prices of similar items. Accordingly, the Tax Court sided with the IRS and limited the deduction to \$163,000.

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