Pittsburgh Planned Giving Council

Legislative Update

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At the July 26, 2022 PPGC member meeting, I discussed a recent Tax Court case where a donor lost a $400K plus charitable tax deduction. In Albrecht v. Commissioner, TC Memo 2022-53, the taxpayer donated Native American jewelry and artifacts to the Wheelwright Museum of the American Indian. The IRS challenged her deduction because the “contemporaneous written acknowledgement” required by the tax law substantiation rules did not have the magic language that she did not receive any goods or services in return for her donation. The Tax Court agreed with the IRS and disallowed her charitable deduction finding that she had not received the legally required acknowledgement before filing her tax return. In reaching its decision, the Tax Court followed the IRS in a strict reading of the applicable statute. The case has been appealed.

As this case demonstrates, it is critical for all charities to review their acknowledgement letters to be sure they follow the letter of the law. It is impossible to tell from the facts of the case how or why the Museum issued an incorrect acknowledgement letter, or whether the Museum tried to correct the mistake. While it is the donor’s responsibility to substantiate his or her deduction by obtaining a correct acknowledgement letter, most donors (including myself) rely on the good faith of the charitable donee to provide the acknowledgement letter. I would imagine that the taxpayer was none too happy with the donee Museum for helping her to lose a $400K plus charitable deduction. The Albrecht case demonstrates the importance of carefully following the charitable deduction substantiation rules.

Please do not hesitate to contact any PPGC Board member if you have any questions on this subject or other matters related to your charitable organization.