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No Appraisal No \$18.5M Deduction, Says Tax Court

No one wants to be known for a big tax case blowout. See [When Billionaire Tax Deals Go Bad](#). In fact, no one wants to be known for *any* kind of blowout. But for very successful people, a tax case might be viewed as *especially* bad. Everyone can see how aggressive or foolish they were on their taxes.

I'll bet some of that is what Joseph Mohamed is feeling these days. Mr. Mohamed is a prominent Sacramento real estate broker, certified real estate appraiser, and big time entrepreneur. He and his wife donated six properties worth at least \$18.5 million to a charitable remainder trust in 2003 and 2004. That sounds pretty successful and pretty rich, doesn't it?

There was just one problem. As the Tax Court noted in [Mohamed v. Commissioner](#), poor Mr. Mohamed failed to read the instructions to [Form 8283](#) (Noncash Charitable Contributions) that accompanied his tax return. What's the big deal? He donated the property, didn't he?

Sure, but taxes are, well, technical. And the rules are the rules. The Tax Court even went so far as to acknowledge that the property was quite likely even *more* valuable than the Mohameds reported on their tax



Shield of the United States Tax Court.
(Photo credit: Wikipedia)

returns! So the court allowed the deductions, but just pared them down a bit, right?

You might think so, but nope. The Tax Court denied the claimed charitable deduction **completely**. See [CA Couple Loses \\$18.5M Charitable Deduction on Technicality](#). That's not exactly a rounding error. The reason? Failure to comply with the substantiation requirements.

You might note that Mr. Mohamed was a certified appraiser so you might think he would know what to do. But that could have been part of the problem. Mr. Mohamed may have thought something on his own letterhead would suffice.

The Tax Court said it recognized this was a harsh result. Harsh? Yes, a complete denial of charitable deductions to a couple that made the donations and that didn't overvalue them was, well, **harsh**. Even to the Tax Court's trained eye the tax forms here seemed likely to mislead someone who didn't read the instructions.

But the court wasn't inclined to rewrite the rules. The problems of misvalued and overstated property are so great, the Tax Court said, that specific rules were prescribed for exactly how the charitably inclined must substantiate their deductions. The Tax Court could let even a sympathetic case like this one skate by. That would undermine the specificity of the rules.

This was a kind of "my kingdom for a horse" moment. Sometimes something small—an appraisal, an S election or an 83(b) election—can spell a multi-million dollar tax difference.

For more, see:

[Fancy Appraisals Can Defeat IRS](#)

[Beware: Sometimes 'Bargain Sales' Are No Bargain](#)

[IRS Still Fighting Conservation Tax Breaks](#)

[Golf Course Tax Deductions Hit The Rough](#)

[Burn Baby Burn \(But Don't Deduct\)](#)

[Giving To Charity? Great. Staying Off IRS Radar? Priceless.](#)

[IRS Tax Topic 506 Charitable Contributions](#)

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