Goss v. Commissioner, 59 T. C. 594, 1973 U. S. Tax Ct. LEXIS 180, 59 T. C. No. 58 (T. C. 1973)

A taxpayer can claim a charitable deduction for donating self-created intellectual property if it qualifies as property rather than services.

Summary

In Goss v. Commissioner, the U. S. Tax Court ruled that Bernard Goss could claim a charitable deduction for donating two essays he authored to the National Council of Negro Women, classifying the donation as property, not services. The court valued the essays at $500, despite Goss's claim of a higher value. Additionally, the court disallowed Goss's business travel expense deductions due to insufficient substantiation. This case underscores the criteria for distinguishing between property and services in charitable contributions and highlights the necessity of proper substantiation for business expense deductions.

Facts

Bernard Goss, an economist, donated two essays he wrote, "The Negro Woman's Income Gap" and "Urban Spatial Economic/Social Inter-Relationships," to the National Council of Negro Women in 1967. He claimed a charitable deduction of $1,500 for these essays on his tax return, later amending it to $2,250. The Commissioner disallowed the deduction except for $50 allowed for out-of-pocket expenses. Goss also claimed business travel expenses of $1,246, part of which was disallowed by the Commissioner for lack of substantiation.

Procedural History

The Commissioner determined a deficiency in Goss's 1967 income tax return. Goss petitioned the U. S. Tax Court to challenge the disallowance of his charitable deduction for the essays and the business travel expenses. The Tax Court heard the case and issued its decision on January 30, 1973.

Issue(s)

1. Whether Goss is entitled to a charitable deduction under section 170, I. R. C. 1954, for his donation of two essays to a qualified charity, and if so, what is the fair market value of those essays at the time of donation?
2. Whether certain expenses incurred by Goss for travel in 1967 are deductible as ordinary and necessary business expenses under sections 162 and 212, I. R. C. 1954?

Holding

1. Yes, because the donation of the essays constituted a contribution of property, not services, and the fair market value of the essays at the time of donation was

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determined to be $500.
2. No, because Goss did not comply with the substantiation requirements of section 274(d), I. R. C. 1954, for his claimed travel expenses.

Court’s Reasoning

The Tax Court, referencing the case of John R. Holmes, 57 T. C. 430 (1971), distinguished between the donation of services and property. It held that Goss’s completed essays were property, akin to the films donated in Holmes, and not merely services. The court rejected Goss’s valuation method based on his consulting fee, as it was based on a single instance and lacked corroboration. The court also noted that Goss’s estimate of a higher market value for the essays was unsubstantiated and self-serving. For the travel expenses, the court applied section 274(d), which requires detailed substantiation of business travel expenses, and found Goss’s evidence lacking, leading to the disallowance of the deduction.

Practical Implications

This decision clarifies that self-created intellectual property can be considered property for charitable deduction purposes, provided it is tangible and completed before donation. Taxpayers must carefully substantiate the fair market value of such donations, as the court will scrutinize self-serving valuations. For business expenses, particularly travel, strict adherence to substantiation rules under section 274(d) is necessary. Legal practitioners should advise clients on the importance of maintaining detailed records for both charitable contributions and business expenses to meet IRS requirements. Subsequent cases have built on this precedent, reinforcing the distinction between property and services in charitable giving and the necessity of substantiation for deductions.

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