Morrison v. Commissioner, 71 T. C. 683 (1979)

A taxpayer cannot claim a charitable contribution deduction for donated congressional papers and documents, classified as ordinary income property, without establishing a basis in the property.

Summary

James H. Morrison, a former U. S. Congressman, donated a collection of congressional papers and memorabilia to Southeastern Louisiana University, claiming a charitable deduction. The IRS disallowed the deduction, arguing the papers were ordinary income property under section 170(e)(1)(A) of the IRC, and Morrison had no basis in the property. The Tax Court agreed, holding that the donated items were not capital assets under section 1221(3), and Morrison failed to establish a basis in the property. The decision highlights the tax treatment of donated official papers and the importance of establishing a basis for claiming deductions on such contributions.

Facts

James H. Morrison, a former Congressman from Louisiana, donated a collection of congressional papers, documents, correspondence, memoranda, pictures, and memorabilia to Southeastern Louisiana University on September 21, 1970. The collection, valued at $61,100, was donated unconditionally to the university. Morrison claimed a charitable contribution deduction of $12,220 for 1970, with carryovers to subsequent years. The IRS disallowed the deduction, asserting that the donated items were ordinary income property under section 170(e)(1)(A) and Morrison had no basis in the property.

Procedural History

The IRS disallowed Morrison's claimed charitable contribution deduction for the donation of his congressional papers. Morrison petitioned the United States Tax Court for a redetermination of the deficiencies determined by the IRS. The Tax Court heard the case and issued its opinion on January 29, 1979, denying Morrison's claimed deduction.

Issue(s)

1. Whether the donated collection of congressional papers and documents constitutes a capital asset under section 1221(3) of the IRC.
2. Whether Morrison established a basis in the donated property for the purpose of claiming a charitable contribution deduction under section 170(a) of the IRC.

Holding

1. No, because the donated items are fairly described as ordinary income property

under section 1221(3) and section 1. 1221-1(c)(2) of the Income Tax Regulations, and thus do not constitute capital assets.
2. No, because Morrison failed to establish a basis in the donated property, thereby disallowing any charitable contribution deduction under section 170(e)(1)(A) of the IRC.

Court’s Reasoning

The court applied the statutory definition of capital assets under section 1221, which excludes letters, memoranda, and similar property created by or for the taxpayer. The donated items were primarily correspondence and documents related to Morrison’s congressional activities, fitting the description of ordinary income property. The court rejected Morrison’s arguments that he had a basis in the property derived from personal expenditures or government allowances, as these were either already deducted or not directly attributable to the creation of the donated items. The court also dismissed Morrison’s claim that campaign contributions constituted gifts with a carryover basis, citing that such contributions are not gifts under tax law.

Practical Implications

This decision clarifies that congressional papers and similar official records are not capital assets for tax purposes, affecting how similar donations are treated. Taxpayers attempting to claim deductions for such contributions must establish a basis in the property, which is challenging given the nature of these items as ordinary income property. The ruling underscores the need for careful documentation and understanding of tax regulations when making charitable contributions of official records. Subsequent cases involving deductions for donated official papers will likely reference Morrison v. Commissioner to determine the applicability of section 170(e)(1)(A). Legal practitioners should advise clients on the potential tax consequences of donating such materials, emphasizing the importance of establishing a basis for any claimed deductions.

