Van Dusen v. Commissioner, 136 T. C. 515 (2011)

Jan Elizabeth Van Dusen, a volunteer for Fix Our Ferals, sought a charitable-contribution deduction for her unreimbursed expenses in caring for foster cats. The Tax Court ruled that while some expenses were deductible, those exceeding $250 required a contemporaneous written acknowledgment from the charity, which Van Dusen did not obtain. The decision clarifies the deductibility of volunteer expenses under the Internal Revenue Code and sets standards for recordkeeping requirements.

Parties

Jan Elizabeth Van Dusen, the petitioner, was the plaintiff in this case. She sought a charitable-contribution deduction for her expenses related to fostering cats. The respondent, the Commissioner of Internal Revenue, contested the deduction, asserting that Van Dusen did not meet the requirements for deductibility.

Facts

Jan Elizabeth Van Dusen, an attorney residing in Oakland, California, was a volunteer for Fix Our Ferals, a section 501(c)(3) organization dedicated to trap-neuter-return activities for feral cats. In 2004, Van Dusen incurred out-of-pocket expenses totaling $12,068 for caring for between 70 and 80 cats, of which approximately 7 were her pets. Her expenses included veterinary services, pet supplies, cleaning supplies, and household utilities. Van Dusen claimed these as a charitable-contribution deduction on her 2004 tax return. The IRS issued a notice of deficiency denying the deduction, prompting Van Dusen to petition the Tax Court.

Procedural History

The IRS issued a notice of deficiency to Van Dusen for the tax year 2004, determining an income-tax deficiency of $4,838. Van Dusen contested this determination and filed a petition with the United States Tax Court. The parties settled all issues except those related to the $12,068 claimed as a charitable-contribution deduction for her foster-cat care expenses. The Tax Court held a trial to determine the deductibility of these expenses.

Issue(s)

Whether Van Dusen’s unreimbursed expenses for caring for foster cats are deductible as charitable contributions under section 170 of the Internal Revenue Code?

Whether Van Dusen’s records met the recordkeeping requirements of section 1. 170A-13 of the Income Tax Regulations for contributions of less than $250?

Whether Van Dusen’s expenses of $250 or more were deductible without a

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contemporaneous written acknowledgment from Fix Our Ferals?

Rule(s) of Law

Section 170(a) of the Internal Revenue Code allows a deduction for any charitable contribution. A charitable contribution is defined as a contribution or gift to or for the use of a charitable organization under section 170(c). Section 1. 170A-1(g) of the Income Tax Regulations specifies that unreimbursed expenditures made incident to the rendition of services to an organization contributions to which are deductible may constitute a deductible contribution. Section 1. 170A-13(a) of the Income Tax Regulations requires taxpayers to maintain canceled checks or other reliable written records to substantiate contributions of money. For contributions of $250 or more, section 170(f)(8)(A) and section 1. 170A-13(f)(1) of the Income Tax Regulations require a contemporaneous written acknowledgment from the donee organization.

Holding

The Tax Court held that Van Dusen's expenses for veterinary services, pet supplies, cleaning supplies, and utilities were deductible to the extent they were attributable to her services for Fix Our Ferals. Specifically, 90% of her veterinary and pet supply expenses and 50% of her cleaning supply and utility expenses were deemed deductible. However, expenses of $250 or more were not deductible because Van Dusen did not obtain the required contemporaneous written acknowledgment from Fix Our Ferals. Additionally, Van Dusen was allowed to deduct a $100 check donation to Island Cat Resources and Adoption.

Reasoning

The court determined that Van Dusen's foster-cat care was a service provided to Fix Our Ferals, as she had a strong connection with the organization and her activities aligned with its mission. The court analyzed the deductibility of various expenses, excluding those not directly related to foster-cat care, such as pet cremation, bar association dues, and DMV fees. The court applied the substantial compliance doctrine, as established in Bond v. Commissioner, 100 T. C. 32 (1993), to find that Van Dusen's records met the recordkeeping requirements for expenses under $250. However, for expenses of $250 or more, the court strictly enforced the contemporaneous written acknowledgment requirement, denying deductions for those expenses due to Van Dusen's failure to obtain such acknowledgment from Fix Our Ferals. The court also considered the impact of section 280A on Van Dusen's household utility bills, ruling that they were deductible under the exception in section 280A(b).

Disposition

The Tax Court ruled that Van Dusen was entitled to deduct certain expenses related to her volunteer work with Fix Our Ferals, but denied deductions for expenses of

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$250 or more due to lack of contemporaneous written acknowledgment. The court also allowed a deduction for a $100 check donation to Island Cat Resources and Adoption. A decision was to be entered under Rule 155.

Significance/Impact

The Van Dusen case provides important guidance on the deductibility of unreimbursed volunteer expenses under the Internal Revenue Code. It clarifies that such expenses must be directly connected with and solely attributable to services rendered to a charitable organization. The decision also underscores the importance of maintaining adequate records and obtaining contemporaneous written acknowledgment for contributions of $250 or more. The application of the substantial compliance doctrine in this context offers flexibility in substantiating smaller expenses, while the strict enforcement of the acknowledgment requirement for larger expenses emphasizes the need for formal documentation in such cases. This ruling has implications for volunteers and charitable organizations, affecting how they manage and report expenses related to volunteer services.

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