

Focus on Fun

1. Long before social security numbers were required for claiming a dependant on a tax return, it was not all that unusual for people to claim their pet dogs or cats as dependants to get the extra exemption deduction. There was the case of a taxpayer from Camden, NJ who listed two burros as dependants. He even used their actual names – Happy Jack and Sassafras. This was actually a situation where someone read the return – the names tipped off an IRS auditor that something might be wrong.
2. A taxpayer was not allowed to deduct as advertising or promotional expenses amounts expended in the upkeep of his home, constructed to look like a Moorish castle, even though a picture of the home was used as his business logo.
3. In determining the fair market value of a bomb site donated by a taxpayer to a museum – it is necessary to determine the value for purposes of calculating the allowable charitable contribution deduction – the Court took into consideration both the appraisal of the taxpayer's expert witness and the fact that there was a cloud on the title of the bomb site. Hopefully for our sakes, it was not a mushroom cloud.
4. A taxpayer, who began to exhibit signs of mental illness shortly after his marriage (how often have we seen this?), was advised by his psychiatrist to obtain a divorce in order to regain his mental health. The taxpayer submitted to his wife's demands in order to obtain the divorce as quickly as possible, and subsequently deducted his legal fees, his wife's legal fees and the divorce settlement as expenses for medical care. While I would like to be able to tell our readers that this story had a happy ending, the IRS held, and it was upheld by the Court, that none of those expenses were deductible – despite that indeed all of this did restore the taxpayer's mental health.