

FOCUS ON FUN

1. Just because a deduction is outrageous doesn't mean it's automatically disallowed. Cynthia Hess, a Green Bay, Wisconsin stripper known as "Chesty Love" claimed a \$2,088 deduction for implants that enlarged her bust size. The IRS turned down her claim. She appealed. Special Trial Judge Joan Seitz Pate ruled that the result of the implants was to increase Hess' income. She allowed the deduction.
2. Under the category of sometimes justice prevails, though it might take an extreme situation, is the case of an IRA owner who was killed by his son. That son was also named as the beneficiary of the IRA. In a private letter ruling, the IRS determined that because, under state law, the beneficiary was not entitled to that IRA benefit since the beneficiary was convicted of murdering his benefactor, the IRS agreed that the IRA was to be paid to the next of kin – in this case, the stepdaughter. The good news is that you don't have to put a clause in your IRA beneficiary form that if the named beneficiary is found guilty of killing you, he/she won't get the money.
3. Among the ultimate insults is when the costs to demolish your house are more than it is worth standing. This issue made the rounds of both the Tax Court and then the Court of Appeals in the 7th Circuit. Both held that taxpayers who donated their lake house to the local volunteer fire department for burning and demolition as part of a training exercise, were not entitled to a charitable deduction because they received a big benefit. You might ask what was the big benefit. The answer is that the benefit (in other words, what would have been the cost) of the demolition of the house exceeded the value of the house. As a further dig, the Court found that there was no evidence of a functional market of willing sellers and buyers of houses to burn. Perhaps it would have been interesting to try to put this in the context of the phrase with which we're all familiar – and that is, a house being "underwater". This house apparently was not merely underwater, but wouldn't have floated in the Dead Sea.