

Bond Case Briefs

Municipal Finance Law Since 1971

TAX - UTAH

Triumph Mixed Use Investments III, LLC v. Commissioner of Internal Revenue

United States Tax Court - May 15, 2018 - T.C. Memo. 2018-65 - 2018 WL 2228198 - T.C.M. (RIA) 2018-065 - 2018 RIA TC Memo 2018-065

Taxpayer, a limited liability company (LLC) that was subject to partnership provisions of the Tax Equity and Fiscal Responsibility Act (TEFRA), petitioned for redetermination of final partnership administrative adjustment (FPAA) in which IRS determined it could not claim charitable contribution deduction for its donation of real property to city, that it had unreported gross receipts and net earnings from self-employment with respect to two tax years, that it could not claim long-term capital loss or bad debt deduction, and imposed accuracy-related penalties.

The Tax Court held that:

- Taxpayer was not entitled to claim charitable contribution deduction;
- Taxpayer did not have unreported income for year in which IRS failed to provide substantive evidence linking it to unreported income;
- Taxpayer had unreported income from installment sale obligation that was transferred to it;
- Taxpayer could not claim long-term capital loss for property conveyed upon loan default;
- Taxpayer could claim bad debt deduction;
- Taxpayer was required to report gross receipts attributable to sale of property as self-employment income; and
- Taxpayer was liable for accuracy-related penalties.

Benefit that taxpayer received from its contribution of real property and development credits to city was not incidental to the transfer, but rather, was expected, thus defeating the donative intent necessary for a charitable contribution deduction from income tax; taxpayer requested and received approval of its development plan and expected that another plan would also be approved after transferring the property in response to initial public opposition to its proposed plan and city council's requirement, as solution to such opposition, that taxpayer dedicate open space and reduce density before plan was approved.