



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

CHIEF COUNSEL

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The Honorable Robert C. Byrd  
United States Senate  
Washington, DC 20510

Dear Senator Byrd:

I am responding to your letter dated February 1, 2007, on behalf of your constituent, . asked about the tax effects of his company donating the mineral rights it holds in several thousand acres to the U.S. Forest Service and two state parks that already own the land to which these mineral rights pertain. He asked whether his company was entitled to a tax write off or credit for the appraised value of the rights.

Taxpayers can claim an itemized deduction, subject to certain limitations, for charitable contributions they make during the year (section 170(c)(1) of the Internal Revenue Code). Charitable contributions are defined as contributions or gifts made to qualified organizations. Qualified organizations include federal, state, and local governments.

Generally, a taxpayer cannot deduct a charitable contribution of less than the taxpayer's entire interest in the property. A partial interest is any interest in the property that is less than the taxpayer's entire interest in the property.

Generally, the amount of the charitable contribution for a donation of property is the fair market value of the property the taxpayer contributes. However, in some circumstances, the amount of the deduction may be otherwise limited. The fair market value is the price the property would sell for on the open market on the date of the contribution. It is the price a willing buyer and a willing seller would agree on if neither had to act and both had reasonable knowledge of the relevant facts.

The law limits the amount an individual or corporation can claim for a charitable deduction. says his company would be making the contribution. Assuming his company is a corporation, the law generally limits the charitable deduction to 10 percent of the corporation's taxable income for any taxable year. A corporation can carry over the excess

amount of the contribution to the succeeding 5 years. The charitable deduction for non corporate taxpayers is also subject to limitations. The number of years a non corporate taxpayer can carry over an excess contribution varies.

I hope this information is helpful. I am enclosing copies of Publication 526, *Charitable Contributions*, and Publication 561, *Determining the Value of Donated Property*, for your information. If we can assist you further, please contact me at ( ) , or  
or at ( ) .

Sincerely,

Edward S. Cohen  
Deputy Associate Chief Counsel  
(Income Tax and Accounting)

Enclosures (2)