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Big-Game Hunting Brings Big Tax Breaks

Trophy Donations Raise Questions in Congress

By Marc Kaufman

Washington Post Staff Writer

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GERING, Neb. -- The ibex head was jammed next to the moose, whose velvety antlers brushed against a rare red lechwe and an African bongo. Below them were several preserved bobcats, and at the far end of the storage container stood endangered leopards, frozen in lifelike mid-prowl.

In all, there were more than 800 big-game and exotic animals piled into an old railroad car behind the Wyobraska Wildlife Museum, a modest and lightly visited facility here, far from any population center. It was just one of four large containers packed with animal mounts and skins -- trophies shot on expedition or safari to places such as South Africa, Mongolia and game-hunting parks in Texas.

Most of the animals are destined for auction, often at bargain-basement prices, but they're in Gering largely because they remain surprisingly valuable to one group in particular -- the hunters who shot them and had them preserved.

Often appraised for many times their market value, the trophies can yield hefty income tax deductions if nonprofit organizations agree to accept them as charitable gifts. And the Wyobraska museum and others have been more than willing.

According to critics in Congress, top officials at natural history museums and animal rights advocates, this form of charitable giving allows wealthy hunters to go on big-game expeditions essentially at taxpayers' expense -- an arrangement so blatant that one animal trophy appraiser advertises his services under the headline: "Hunt for Free." The taxpayer subsidies also encourage hunters to track down and shoot the largest, fittest and rarest of the world's animals, the critics say.

Nobody knows how many trophy mounts are donated yearly to nonprofit collections, or how much tax revenue is being lost to the charitable deductions. But at the Wyobraska museum, the floodgates are open wide.

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Records show that in 2000, Wyobraska took in mounts worth \$1.4 million. In 2004, the museum's curator said, the value of donations grew to more than \$5 million, even though display rooms and storage containers were already overflowing. The entire stuffed menagerie of 800 animals in the rail car out back arrived just last year.

Big-game hunters, whose interests are actively promoted in Washington by the politically powerful Safari Club International, have been quietly donating animal mounts to nonprofit groups for years. The public benefits, hunting advocates say, because visitors get to see animals they would otherwise never encounter. The Safari Club also says revenue from big-game hunting gives nations an incentive to encourage conservation.

Whether the public is being served or fleeced by donations such as these will be the subject of a Senate Finance Committee hearing Tuesday. Its chairman, Charles E. Grassley (R-Iowa), has been investigating possible abuses in how art and other "non-cash donations" are appraised and donated to nonprofits, and he sees trophy animals as a prime example.

"The phoniness of this kind of donation calls out for congressional action," said Grassley, after learning about the flow of mounts to Wyobraska and other museums, adding that the issue is "in the Finance Committee's cross hairs."

What makes charitable giving so popular with big-game hunters is that their trophies are being appraised at top dollar, often using a donor-friendly "cost of replacement" method that estimates how much a hunter would have to pay to track down the same quarry again.

But the Internal Revenue Service allows this approach only when no market exists to establish a fair market price, and the tax agency has taken the position that there is such a market in big-game trophies. Officials note, for instance, that the Lolli Brothers auction company in Macon, Mo., holds four large taxidermy auctions a year, selling thousands of big-game trophy mounts to businesses and sportsmen. Auctioneer Jim Lolli said the mounts have become something of a commodity, and winning bids are generally 10 to 20 percent of the appraised values.

"A hunter or a museum will tell me the value of an elk is appraised at \$10,000, and I'll have to tell them they'll be lucky to get \$1,000," Lolli said. "But they have that paper with the big appraisal, so it takes some convincing."

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One of the more active appraisers is Robert Bruce Duncan, founder of the Chicago Appraisers Association. According to Wyobraska museum curator Mike Boone, almost all the animals given to his museum in 2004 came via Duncan, who both values the mounts and arranges the donation.

Duncan has a checkered history, one that Wyobraska officials say they knew about before they began accepting specimens from him. Duncan was sentenced to 10 months in prison in 1991 and fined \$47,000 for helping to place mounts of illegally hunted endangered animals in the North Carolina Museum of Natural Sciences -- a facility that, like Wyobraska, took in hundreds of Duncan-appraised trophies in the mid-1980s before federal agents stepped in.

At Duncan's sentencing, the Raleigh News & Observer reported, attorney Daniel Hartnett told the judge his client was "through with appraising animals."

Nonetheless, Duncan, himself an active hunter, did return to trophy animal appraising and has been aggressive about promoting possible tax advantages. His Chicago Appraisers brochure, which explains how to "Hunt for Free," goes on to say: "If you write and tell us where you are going, we'll suggest what extra animals to take and donate for tax savings. We'll then send you a written guarantee we have a museum to accept them upon your return."

In a brief telephone conversation, Duncan defended his appraisals as accurate and legal and said criticism came only from people with "an animal rights agenda." The specimens sent to Wyobraska, he said, were for "educational and research purposes only."

Wyobraska curator Boone, however, said it was always clear that most of the donations would be sold. He told an undercover team of investigators from the Humane Society of the United States, which videotaped a conversation with Boone in January, that "most people donate for the tax write-off."

The president of the Wyobraska Museum board of directors, real estate agent and developer James Merrigan, defended the charitable deductions as valuable to the public because they allow small-town museums like Gering's to acquaint residents with unusual animals from around the world.

But Merrigan also said the size and number of the trophy tax deductions raised legitimate questions, especially since the market value of the mounts is generally so much lower. In 2003, for instance, his

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museum sold mounts with an appraised value of \$4.2 million for about \$67,000, according to its yearly tax report.

“The system has to be reviewed -- that’s clear,” Merrigan said. “We can’t abuse the system because that will turn the public off to charitable giving.”

Both Merrigan and curator Boone stressed that the museum is following IRS rules and, as proof, pointed to the fact that none of the donated animals are sold for at least two years. According to IRS publications and tax lawyers, however, the two-year rule refers to a reporting requirement -- that the price of any donated item sold by the museum within that period has to be reported to the donor, because it could lower the tax deduction. By not selling mounts for two years, the museum does not have to report the sales price to the donor and thus preserves the tax break.

Because individual tax returns are confidential, and the names of donors are deleted from the tax filings of nonprofit groups, public disputes over the value of trophy animals are rare. But one high-profile tax battle is now going on between the IRS and David Liniger, founder of the Re/Max real estate franchise, over the value of his 174-animal collection.

Liniger and his wife, Gail, claim that the mounts they gave to the Wildlife Experience museum, outside Denver, are worth \$1.4 million, but the IRS said they were misappraised and worth only \$370,000. The case became public last month when Liniger sued the IRS over the \$660,000 in additional tax he was forced to pay.

While Liniger was challenged over the size of his tax deductions, he did make sure that his trophy mounts went to a museum regularly open to the public. Like many other donations, however, the animals given to the museum in Georgia founded by veteran hunter Rex Baker of Marietta, also called the Wildlife Experience, were hardly ever seen.

Baker, who in 2003 received the coveted Weatherby Award for hunting prowess and community involvement at a Safari Club convention, set up a nonprofit organization in 1994 and donated many mounts to the museum he was creating. Baker declined to discuss the fate of the Wildlife Experience, except to say that the project became too big and expensive to develop properly. The organization’s tax returns, and residents of the small Georgia town where the museum was briefly located, tell a more detailed story:

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At the beginning of 1999, the Wildlife Experience had mounts worth \$558,000. Over the next three tax years, the budding museum received animals valued at \$5.1 million and moved many of them to the town of Hogansville -- population 2,900 -- about 50 miles southwest of Atlanta. The once-prosperous mill town had fallen on hard times and eagerly awaited the museum's arrival. The museum, however, never really opened.

According to merchants on either side of the now-empty storefront, scores of animals arrived, and some work was done to create backdrops for them, but nobody was ever hired to run the place. A receptionist for the local lawyer who helped lease the site said her daughter's preschool class went there once, but neighbors said it always seemed closed.

City Clerk Diane Carter, whose office is three doors down from the museum, said it puzzled her that the Wildlife Experience seemed ready to welcome visitors but apparently never did. "I never saw a soul go in there," she said.

In 2002, the entire Wildlife Experience was packed up and trucked out of town. Its destination: the Wyobraska museum.

The Humane Society believes so strongly that the tax deductions contribute to the improper killing of animals that it arranged a sting to see how the process works. Undercover investigators contacted Duncan at Chicago Appraisals and asked him to value two mounts they had purchased and then have them placed in a museum.

Based only on photos and invented descriptions about where the animals were shot and preserved, Duncan provided two appraisals -- \$8,500 for a gnu and \$8,000 for a wildebeest -- and arranged for the animals to be sent to Wyobraska. Humane Society officials said the appraised values were about double what they actually paid for them. Posing as resort lodge owners interested in buying mounts, two society investigators then went to Gering in January and videotaped their visit.

Hans-Dieter Sues, associate director for research and collections at the Smithsonian's National Museum of Natural History, said he and others in the field believe hunters and some museums are abusing the charitable donation laws.

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“Not only does it encourage trophy hunting, but the trophies hunted are often endangered animals illegally brought into the United States,” he said. “Over the years, few of our museums have been blameless in this area. But now we’re very much opposed.”

