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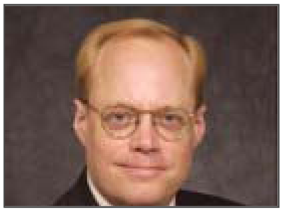

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1,000 Year Old Viking Gold Found By Treasure Hunter

A hoard of Viking gold and silver over 1,000 years old was discovered by a retired businessman with a metal detector in a Scottish field. Derek McLennan made the find that is being hailed as one of the most significant Viking hoards ever discovered in Scotland. So says Scotland's Treasure Trove unit that has physical custody of the loot while details are being worked out.

Mr. McLennan may be retired but he has found other loot before, including 300 medieval coins in the same area. The Vikings regularly raided Britain from the 8th to the 11th centuries, burying their valuables for safe-keeping. The latest find includes a solid silver cross from the 9th or 10th century, a rare silver cup from the Holy Roman Empire, and a gold bird pin that alone is worth over $100,000.

Who gets to keep it all? The lucky finder was with a minister and a pastor when he found it. Even so, the hoard falls under the Scots law of treasure trove. The law provides for a reward to the finder which is judged equivalent to the market value of the items. The local parish will get some money, as will Mr McLennan.

And then there are taxes, something that in the U.S. is taxable no matter what. Cash or valuables you find are taxed, even if you didn't really earn it. So says *Cesarini v. United States*, a case involving a man who bought a used piano for $15 and found $5,000 in cash inside. When the IRS said it was taxable income. Mr. Cesarini went to court, and lost at trial and on appeal.

Does this mean the gold will be taxed? In 2013, an anonymous couple in California's gold country found $10 million in rare gold coins buried in cans on their property. It was the biggest and best coin discovery in U.S. history, according to Davis Hall of Professional Coin Grading Service which authenticated the find.

The 1,400 rare and perfectly preserved U.S. gold coins dated from 1847 to 1894. they add up to a face value of more than $28,000, but their market value is likely over $10 million. They sold some, kept others, and donated some of the proceeds to charity, but had to pay tax.

About the only tax-free recovery is if you recover your *own* property. Take art stolen by the Nazis and later recovered. If you can prove it's yours, it's not taxed. But even then, under the "tax benefit rule," if you claimed a tax deduction for theft or loss of the property, you must include the value of the recovered property in your income when you get it back. And if the property has gone up in value in the interim, you get stuck with tax on the increased value.

If you think giving it to charity will net out the problem, think again. In fact, giving to charity can make the tax problem worse, as sometimes happens with prize money. You can decline a prize and avoid all taxes. But if you accept it and *then* donate it to charity, you can't.

Even if you immediately give it to charity, you can only claim charitable contributions on your taxes up to 50% of your "contribution base"—generally your adjusted gross income. The limit is even lower (30%) for gifts to certain private non-operating foundations, veterans organizations, fraternal societies and nonprofit cemeteries. You can carry over excess charitable contribution deductions from one year to the next, and you have five years to use it up. In the meantime, though, you are paying tax on money you've given away.

It's just another example of our terribly complex tax law. I'll bet the Vikings didn't worry about such things.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.