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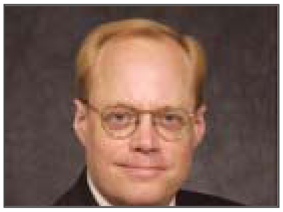

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# Janitor Finds $100K In Toilet, Gets $76K Reward -- Before Taxes

Feel good stories help restore your faith in the honesty of people, like this one from Australia. A janitor and fast food worker found a wad of cash in an office toilet he was cleaning. It wasn't his cash, he said, so he turned it in. And after a three year wait, his patience and honesty have been rewarded.

Chamindu Amarsinghe was cleaning bathrooms in an office and discovered a toilet stuffed with bills. The honest man called his supervisor, and then a plumber to retrieve some of the money that had already gone down into the pipes. Mr. Amarsinghe told The New Zealand Herald, "That's not my money, so I can't take it away. Someone could have put it there and planned to come back for it." See Honest janitor awarded over $76k after finding huge stash of money in a toilet.

Authorities investigated, searching for the origin of the cash. Turns out that Emerald Nguyen of Sydney was charged over the proceeds of crime in connection with the mystery cash haul. But the charges were later dropped after Mr. Nguyen claimed no knowledge about the bathroom money. It continued to be unclaimed.

Three years later, an Australian court ordered that Mr. Amarsinghe gets A$81,597 (US$76,000) as his reward. Mr. Amarsinghe was speechless, said the Herald Sun. After the reward, the remainder of the cash belongs to the state. As for the reward, Mr. Amarsinghe said he would like a portion of the reward money to help the disabled.

Plus, he will donate portion to a Buddhist temple. But those kinds of charitable gifts can make the tax issues more complex and sometimes downright unfair. First, consider whether found cash or a reward are taxable. In the U.S., there's no question they are.

In tax lingo, it is called "treasure trove." The most famous tax case on treasure trove is *Cesarini v. United States*, involving cash found in a used piano. Mr. Cesarini bought the used piano for $15 and found nearly $5,000 in cash inside!

When the IRS said it was taxable, Mr. Cesarini went to court. But the Tax Court and Court of Appeals agreed with the IRS. See *Cesarini v. United States*. In fact, about the only way the toilet cash or cash reward wouldn't be taxed is if Mr. Amarsinghe could prove he was recovering his *own* money.

When you recover your own money or property, it's not taxed unless you have deducted the loss on your taxes. Under the tax benefit rule, if you claimed a tax benefit in the past, you must take the item back into income when you recover it. So if you find cash or receive a cash reward? It's taxed.

And amazingly, giving some or all of the reward to charity can make the taxes even worse. You can only deduct charitable contributions up to 50% of your "contribution base"—generally your adjusted gross income. The issue often comes up with lottery or prize winnings.

Suppose you win $1 million and have no other income. And say you give it all to charity the next day. You might think that zeros it all out and you don't have taxes to pay. Unfortunately, though, you can only deduct half even if you gave it all away! You can carry over excess deductions and you have five years to use them up.

In the meantime, though, you are paying tax on money you've given away. In short, even if you give all the prize or reward money to charity, you can end up paying more taxes than if you had never received the cash.

*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.*