

MEMORANDUM

To: Reporters and Editors
Fr: Jill Gerber, for Chairman Grassley, 202/224-6522
Re: Smithsonian response on in-kind donations
Da: Monday, June 14, 2004

The following comment is from Sen. Chuck Grassley, chairman of the Committee on Finance, on the Smithsonian Institution's response to his request for documentation and information about the agency's handling of in-kind donations such as four Stradivari musical instruments – two violins, a viola, and a cello. Several observers believe the donor, Herbert Axelrod, may have significantly inflated the instruments' value to claim a much bigger tax break than he deserved, and that the Smithsonian may have done little to help prevent that.

“The letter raises more questions than it answers. Specifically, I intend to ask the Smithsonian for more details about the Axelrod donation and about charitable gifts in general. For example, the Smithsonian's response is unclear on whether the agency keeps information and details on non-cash donations in general. Specific to the Axelrod donation, I want to understand why the Smithsonian refers to values of these instruments that are all over the map. The Smithsonian uses figures of \$20 million, \$30 million, and \$55 million, all in a three-month time frame.

“The Smithsonian's statement that no one signed a Form 8283 for the Axelrod donation is troubling. A donor has to file such a form with the IRS to claim a deduction for the donation. This raises the question of Mr. Axelrod's interaction with the IRS on this issue. I plan to review this matter with the IRS.

“I'm convening a hearing on June 22 to examine problems generally surrounding in-kind donations, as well as charitable governance and best practices. It's important for Congress to understand when and how much taxpayers are footing the bill for overvalued deductions for in-kind donations.”

The Smithsonian Institution's response, without the lengthy attachments, is attached.