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Here's the Tax Beat broadcast for August 6

Subject Line: Donor Advised Fraud

Matthew Christopher Pietras played his part like a maestro in a Tom Ford tuxedo. He floated through New York's glittering gala circuit, sponsoring opening nights at the Metropolitan Opera and the newly renovated Frick Collection, booking private jets like they were yellow cabs, and sprinkling six-figure "donations"as if he had an endless trust fund. To anyone watching, he was the charming young patron who had cracked the code to effortless wealth. He traveled in high society like he was born to it: with 60 friends in tow for opera night and a knack for name-dropping that would make a PR flack blush.

But it was all smoke and stolen mirrors. Pietras didn't come from money. He came from a modest suburb outside Springfield, Massachusetts, armed with little more than a weapons-grade dose of chutzpah. He wasn't a mogul, or a Wall Street whiz, or a startup savant. He was a personal assistant. A glorified one, maybe, but still just a guy with access to other people's accounts.

Pietras worked for billionaires like Courtney Sale Ross (widow of Time Warner's chairman) and Gregory Soros (son of George). Slowly, as he gained their trust, he started dipping into their funds. And he didn't just steal. He performed. He played the role of the philanthropist so convincingly that no one thought to ask who was footing the bill. But when a $15 million donation to the Met evaporated and the paper trail started smoking, the curtain came down. Days later, Pietras was found dead in his rent-stabilized Manhattan apartment. The man who built an entire identity out of forged glamour had died by suicide at 40, just as his house of cards collapsed.

Now, let's talk taxes. The IRS doesn't care if your money came with velvet gloves or sticky fingers. Embezzled funds are just as taxable as if you'd earned them any other way. If you steal it, skim it, or swindle it, the IRS still wants its cut. You can't claim "ill-gotten"as a deduction.

What about the donations? After all, Pietras did give away a lot of what he took—lavish contributions to the Met, the Frick, and a laundry list of cultural institutions that were only too happy to engrave his name in granite. Well, here's the twist: giving away stolen money can't launder away the tax, at least not all of it. Charitable deductions are limited to a percentage of your adjusted gross income, typically 60% for cash gifts to public charities. So if you "earn"$5 million by embezzling, and give it all away, you still owe tax on $2 million.

There's another layer here, too. If you steal from someone and then give the money away, you haven't just created a tax problem for yourself. You've created one for your mark, too. They might have to file amended returns to claim theft losses, chase the institutions that received the "gifts,"and navigate a PR mess just to prove they weren't complicit. It's a nightmare that keeps on giving, except nobody's sending thank-you notes.

This story reads like Gatsby with a burner phone. It's dramatic, it's tragic, and it's very New York. But there's nothing romantic about the wreckage. It's a reminder that in the eyes of the IRS, even fraud comes with a filing requirement. They don't care how well you dress it up, who you schmooze, or how many plaques your name is carved into. If you pocket it, you'll owe tax on it.

The final lesson? Crime might pay in the short term, but only until the IRS decides it's their turn. And unlike Manhattan's fabled arts organizations, they don't accept apologies. Just cash.

Kevin