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Here's the Tax Beat broadcast for October 8

Subject Line: Buried Treasure and the IRS

Every kid dreams of finding a buried chest full of gold coins, a few emeralds, and maybe a wooden leg or two. But grown-ups who actually find treasure soon discover the real pirates aren't the ones with eye patches and hooks. They're the ones with ID badges reading "Internal Revenue Service."

This summer, divers working off Florida's aptly named "Treasure Coast" discovered more than 1,000 silver and gold coins, worth about a million dollars, from a Spanish shipwreck that sank in a hurricane in 1715. It's the kind of find that makes every beachcomber reach for their metal detector.

But before anyone starts buying yachts or eyeing private islands, the IRS has an inconvenient rule that turns Jack Sparrow's fantasies into tax returns. The tax code considers a "treasure trove" to be taxable income the moment it's "reduced to undisputed possession." In plain English: when you find it and it's legally yours, you owe tax on it — even if it's still covered in barnacles.

That rule comes from *Cesarini v. United States*, a 1969 case where a couple bought an old piano and found \$4,467 hidden inside. Apparently, the judges didn't share the couple's excitement about the free money. So the divers off Florida will owe tax on their share of the haul, just like the piano couple did — only with more zeroes and a lot more saltwater.

Of course, it's not as simple as just counting coins. Florida law says any find in state waters technically belongs to the state, which usually keeps about 20% off the top for museums and preservation. That means Uncle Sam gets first dibs on the other 80% left for the finders. The divers' company will need to appraise the coins' fair market value — not just their melt value, but their historical and collectible worth — and report that as income. Good luck explaining that to your CPA: "I've got a thousand gold doubloons, but they're from 1715, so do I depreciate them?"

Then there are deductions. Salvaging shipwrecks isn't cheap. There are equipment costs, fuel and supplies, and a small army of divers who all want a share. Those are deductible against treasure income. But weekend hobbyists who aren't operating their activity with a bona fide profit motive face a deeper dive. The IRS doesn't let you use "hobby losses" to offset other income. So those expenses will pay off only if you find a sunken chest.

There's even a charitable angle. If you donate part of your find to a museum, you could theoretically claim a charitable deduction for the fair market value — assuming, again, you've reported your find as taxable income in the first place. You'll avoid the tax — but it'll cost you the treasure to do it.

There's even an international wrinkle. The coins originally belonged to Spain, which means there could be diplomatic claims, restitution requests, or international treaties that complicate ownership. (Translation: a bunch of stuffy international tax lawyers arguing over centuries-old gold – in Spanish.)

So what's the lesson here for the rest of us who don't spend weekends diving for doubloons? It's this: the IRS will tax you on *anything* if they can value it — treasure, prizes, game show winnings, and yes, even cash from an old piano. "Other income" is just another line on your 1040.

Still, there's something poetic about it. For 300 years, that Spanish fleet lay hidden beneath the waves, safe from storms, smugglers, and seagulls — only to be plundered at last by the most efficient treasure hunters on Earth: tax collectors.

So next time you daydream about finding gold, remember this: you can outswim sharks, dodge hurricanes, and outwit rival divers — but you'll still need *us* to help escape the internal revenue code. Sure, X marks the spot. But the IRS marks the income.

Kevin

