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## **When donating art to charity**

By Bonnie Kagan, [New York art appraiser](#)

If you are thinking of making a charitable donation of your art, and want to receive a tax credit, you will need a Certified Appraisal.

The monetary benefits realized from donating these things can also go towards legal settlements, such as inherited estates, divorces or business disputes, because the donation provides the liquidity necessary for equitable division of the assets.

The first thing to do is to determine what you really have in hand. It would be a good idea to get the opinion of at least one professional art consultant, appraiser or dealer.

### **The art professional should do the following:**

Do an inventory assessment of the object as to condition and merit and make recommendations. Clients may think they have valuable art, only to find it is a nicely framed reproduction of an original work and not worth much at all. On the other hand, that old print hanging in their father's office may actually be a fine, rare and quite original Picasso, for example.

Provide "Fair Market Value" appraisal(s); this is the only type of value acceptable for donations. Valuations are formulated differently for insurance use, for example. These cannot be substituted to save time and money.

A Fair Market Value definition would be as follows: "The price, expressed in, (dollars) that the property would bring in an open and unrestricted market between a willing buyer and a willing seller who are both knowledgeable, informed and prudent, and who are acting independently of each other".

The appraiser must be a recognized professional and qualified to "Certify" their appraisals. The certified appraisal cannot be done on one piece of paper.

A certified appraisal will have to have an outline of the purpose and intended use, a clear definition of value and approaches to value, an explanation of market levels, as much market research as is necessary to calculate an informed value conclusion, with comparable sales data, case studies, written description and photograph.

It is important at this point that the appraiser research all markets to find examples of comparable sales to ultimate consumers. The appraiser should define the art work's relevant market (the market where there is the most frequent and total numbers of sales).

Also, the appraisal reports will need to have a narrative explanation of all fact and analysis, comments on the state of the market, an easily understandable conclusion, usually supplemented with a glossary of art terms for clarity, a bibliography of all reference material, the qualifications of the appraiser, perhaps a compilation of relevant exhibits and -- importantly -- a signed "Certification".

If that sounds like a lot, it may well be, but that is what you will need (and perhaps more) to get the donation approved for the tax credit.

The cost for the appraisal service may be paid by either the donor or the recipient.

### **Condition**

The Appraiser also may oversee any restoration, repair or other handling that would make it an acceptable donation. Recipients need to have things in ready-to-go condition. Your donation may not be accepted unless the condition is good. If the work of art needs restoration, your art professional should make certain it is done by a fully qualified person, and that the person's report is included in the appraisals.

Even if you decide not to donate the art, often restoration preserves the integrity. Conservation work will ensure that the art retains its value over time. You do not want to find out that your Picasso is worth 25 per cent of the Fair Market Value because it has damage or deterioration.

If your clients do not want to bother with this step, that may be fine. Find out what the condition requirements of the donation are before proceeding with this step.

### **A few more things you will need to know:**

Appraisals are not required for any object (or collection) being sold to an institution.

The actual cost of the donation (what your client paid) may not be what determines the amount of the tax credit. The value of property can be based on an arm's-length sale or purchase of a similar property at or near the same date (of donation).

The art professional should be able to provide all relevant services, report to you, and act independently.

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