Professional Guidelines

FUNDRAISING AUCTIONS: Issues and Recommendations for Collectors

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I INTRODUCTION TO FUNDRAISING AUCTIONS

This Professional Guidelines topic is intended to more fully inform collectors about the impact that fundraising auctions have on the art community, what issues should be considered prior to and after an auction, and recommendations as to how collectors can maximize any benefits that they may receive by participating in an auction. Ultimately, we believe that the behavior of collectors can and should help change the way fundraising auctions are conceived and conducted.

This is one of four **Professional Guideline** documents about **Fundraising Auctions,** each addressing a different perspective.

Fundraising Auctions: Issues and Checklist for Artists
Fundraising Auctions: Issues and Impact for Galleries
Fundraising Auctions: Issues and Recommendations for Collectors
Fundraising Auctions: Issues and Alternatives for Art Organizations

These documents provide insights and helpful suggestions for all members of the arts and crafts community. You're welcome to read all four to see a thorough discussion from all perspectives.

Auctions can be a successful way for organizations to raise needed funds. However, frequent auctions by one group or multiple groups within the same_geographic area can have a significantly negative impact on the arts community—the very constituency they often wish to support. Unfortunately, fundraising auctions have gained a reputation for selling artwork at considerably less than market value. Consequently, over-reliance on auctions as fundraising mechanisms may ultimately harm galleries, individual artists and collectors, by siphoning off gallery sales, devaluing artists' work, and impairing the artists' and galleries' ability to make a living.

Organizations sponsoring or benefiting from fund raising auctions, especially those involved with the arts and crafts communities, should act responsibly when planning fundraising efforts. Artwork needs to be handled and displayed with care and respect. Every effort should be made to obtain the highest price for donated work, minimum bids should be established and honored, and all information regarding the purchaser forwarded to the artist for their records.

Bidders at auctions should be encouraged to be generous in their support of the organization (and the art community. It is hoped that bidders see these auctions primarily as an opportunity to support the sponsoring organization—and, by extension, the art community-- and not simply as a means to find quality work at bargain prices.

II MYTHS ABOUT FUNDRAISING AUCTIONS

Collectors are known to be generous and supportive of arts organizations. An organization inviting collectors to a fundraising auction encourages participation as a show of support for the arts community and an opportunity to see new artists. However, some rationalizations are overextended. Here are a few:

Myth #1: Fundraising auctions support the arts community.
Fact: Fundraising auctions do generate funds for the auction sponsor; however, auctions may not support the overall arts community which includes artists, galleries, and collectors. This is especially true in areas where a number of organizations all may be holding one auction per year--with the accumulated impact of several auctions in one year. Auctions often ask the same local artists to donate work and the same collectors to make a purchase. In selling art and craft, auctions compete with the same market as galleries who have invested year round to generate awareness. If one segment of the arts community, in this case a particular auction sponsor, gains at the expense of other members of the community such as artists and gallery owners, is the arts community better off?

Myth #2: Supporting the auction supports the artists.
Fact: Supporting the auction supports the auction sponsor. Auction sponsors usually request donations of artwork from artists (sometimes offering a small percentage of the auction purchase price to the donor) – or, alternatively, compensating the artist with tickets to the auction or a membership in their organization. In addition to the loss of income for the artist (with limited tax deduction for their donation) as well as the often uncompensated cost of labor and materials, donated artwork often auctions below the established retail price. This may adversely affect the retail value for the artist’s other work, which has a negative impact on the artist’s viability in the marketplace.

Myth #3: Fundraising Auctions do not impact galleries.
Fact: Fundraising Auctions can unfairly compete with galleries in the retail market.
Selling artwork in an auction actually circumvents the role galleries play within the arts community. Galleries offer consistent visibility for an artist’s work, creating demand by mounting exhibitions, through advertising and by providing regular exposure in the gallery space. A case can be made that auctions piggyback on a gallery’s commitment to and promotion of an artist, reaping the benefits of the gallery[1]s efforts without making any long term investment themselves.

The simple fact is that galleries are for profit businesses. Fundraising auctions may also offer unfair sales competition in that bidders may see their purchase as an act of philanthropy (accurately or mistakenly), a motivating perception that drives auction sales and with which galleries cannot compete.

Patrons who buy work at auctions do so without the benefit of a gallery[1]s professional guidance or having available the broader selection of an entire series of an artist[1]s work shown by the gallery. Collectors may even delay the purchase of an artist¹s work from a gallery, anticipating the possibility that it may be available at the annual auction at a reduced price. In another scenario a patron may defer a gallery purchase of a particular artist¹s work if they have already acquired another piece at an auction. Frequent auctions may even exhaust the time and resources designated to the purchasing of artwork by some collectors. In this case, auctions negatively impact galleries.

Myth #4 Fundraising auctions are a great opportunity for collectors to attend a gala event, mix and mingle with members of the arts community, discover new artists and find quality work at reduced prices-- all while supporting the auction sponsor with a tax deductible purchase.
FACT: Auctions are not the utopian combination of philanthropy, and shrewd acquisition that they seem to be. The selection offered at an auction is limited to the pieces donated, and may not represent a superior example of an artist's work. The auction venue does not offer the guidance of experienced gallery or museum staff nor the time to become fully acquainted with a particular piece and come to a careful decision. The pressures of limited time, competitive bidding, and the desire or sense of obligation to help the sponsoring organization with a purchase can lead collectors to make purchases of work that they may not truly wish to own or add to their collections.

Additionally purchases made at auctions are not necessarily tax deductible just because the check is written to a non-profit. Read **Myth #5,** the *Appendix*, and III. C. *FINANCIAL IMPACT OF AUCTIONS ON COLLECTORS***,** *The financial impact of 'tax-deductible" contributions* to find out how to make your tax-deductible donation legally.

Myth #5: **Buying work at an auction is a totally tax-deductible contribution.**
Fact: According to the IRS, the tax-deductible portion is only the amount paid *above the retail value* of the work. For example, if the stated retail value of a piece is $100 and the piece sells for $125, according to the IRS, then only $25 is tax deductible. Though the check for a winning bid at a fundraising auction is written to a non-profit organization, the entire amount of the check is NOT tax deductible. (See section III. *Financial Impact of Auction on Collectors* below for more details.)

III FINANCIAL IMPACT OF AUCTIONS ON COLLECTORS

A **Sustainability.** If a piece of artwork is just what you wanted and sells well below the retail price, then collectors may have gotten a bargain. But this is a relatively short-term advantage, since this practice, ultimately, is not sustainable. Artists and galleries suffer the cumulative financial impact of frequent auctions, possibly putting them both out of business. This negative financial impact is compounded if the auction is held within the same geographical area as the gallery or the artist's retail business. The closing of a gallery impacts the art community—artists, patrons, appreciators and collectors—by removing a location for the discovery and advancement of artists, the screening and selection of art work, and guidance offered by galleries relating to purchase and acquisition.

B **Auction prices can affect collection values.** The value of a collection depends on the established value of the artists' work. This value relies in part on demand for an artist's work which is a matter of perception. When higher or lower (above or below retail) prices are generated at auction, the established value within a collection may change. Since appraisals for insurance purposes are often based on the recent sales of similar works by the same artist, changes in established market prices may impact appraised value. When generous bidding at auction yields higher than retail sales prices, every one wins. Unfortunately, since artwork sold at fundraising auctions often sells below established retail prices, the collectable value of an artist's work may suffer.

C The financial impact of 'tax-deductible" contributions

1 **There are two ways collectors can declare a tax-deductible contribution related to auctions:**

a Collectors can take a tax-deduction for the **full appraised value** of the artwork or craft they donate to the auction. This is regardless of the bid price paid at the auction. This is certainly a positive point for the patron who chooses to donate. However, with an understanding of the impact that auctions have on the art community as a whole (see MYTHS, above), collectors who donate work may want to take a number of steps to ensure that their donation reaches the highest possible bid price to generate funds for the auction sponsor and protect the artist's marketability. Look for this information later in this document under section VII. C. *Alternatives to Bidding at an Auction: Consider donating artwork from your collection.*

b If a collector purchases work at the auction, and donates the work to a museum or non-profit for their permanent collection the full value paid for the item is a tax-deductible.

2 **Items purchased at auction may not be tax-deductible.** Technically, the bidder at an auction is purchasing artwork or craft for the bid price. The payment for the purchase is not a tax-deductible contribution unless the collector pays more than the retail value for the work. Then, only the portion of the purchase price above the retail value is tax deductible. The I.R.S. web site states: "If your contribution entitles you to merchandise, goods, or services, including admission to a charity ball, banquet, theatrical performance, or sporting event, you can deduct only the amount that exceeds the fair market value of the benefit received." I.R.S. **Look on line for more information at: http://www.irs.gov/taxtopics/tc506.html**

IV RECOMMENDATIONS FROM THE PROFESSIONAL GUIDELINES

A Set a Reserve Price

The Professional Guidelines recommends that the auction sponsor set a "reserve price" for work offered in an auction. The "reserve price" is the price below which the artwork will not be sold. This reserve would ideally be **80%** of the retail price. **The artists should be offered 40% of the retail price for their donations**. The art organization will receive 40% of the retail price for fundraising and the collector has the possibility of receiving a 20% discount. Work sold above the retail price (as a result of generous bidding) creates additional revenue for the auction sponsor.

B Ask the auction organizers to establish a reserve price. The Professional Guidelines recommend that the reserve price be 80% of the normal retail price.

Read section **IV. A. Recommendations from the Professional Guidelines**

In the case of no reserve price, it is recommended that a "minimum bid" be established, at 40% of current retail price. This is a less satisfactory solution because it doesn't assure that the price for the piece will reach the 80% benchmark as a minimum *final* bid.

Low prices should be discouraged generally, to improve fundraising, and to mitigate the potential negative impact on the retail market for artists, galleries, stores, and many other contexts such as craft shows.

A **minimum bid** *is the starting point in the bidding* of a "live" or "silent" auction. A low minimum bid psychologically stimulates bidding. The Professional Guidelines recommends that the minimum bid start at 40% of current retail price.
The "**reserve price**" *is the price below which the artwork will not be sold*. The Professional Guidelines recommends that the reserve price be set at 80% of the retail value. The reserve price is usually published, but not always.

V COLLECTOR CONSIDERATIONS

Recommendations for Attending an Auction

A **Remember that you are there, in large part, to support the organization, so be generous.** Support the organization and the artists with *generous bids – and bid often*.

B **View the auction donations in advance,** if possible or go early when there is less of a crowd. Go to the Preview Night or review catalogs.

C **Look at the work carefully.** Perhaps there really is an example of an artist's work that appeals to you.

D **Seek out the artist at the auction.** Artists may be invited to the auction as some compensation for donating their work. If you meet the artist, you may learn more about their art, craft, technique or unique vision. Interest expressed in an artist and their work is one of the intangible perks an artist/ craftsman receives from their participation in an auction. BUT, if you do get a great bargain on a piece of artwork avoid the desire to find the artist and tell them what a great deal you got. While they may be happy for your good fortune, they may be disappointed at the low bidding on their work.

E **Alcohol** is often served at these events; use your best judgment.

VI ALTERNATIVES TO BIDDING AT AN AUCTION

A **Consider a financial donation instead.** If cash is donated, the full amount is tax deductible. The ultimate purpose of the auction is financial support of the sponsoring organization. Your financial contribution means you are truly supporting the arts community as well as the auction sponsor.

B **Consider volunteering your time instead.** Your leadership on the Board of Directors, leadership councils or within the docent program can be a pivotal contribution to the organization. "Although you cannot deduct the value of your time or services, you can deduct the expenses you incur while donating your services to a qualified organization. If the expenses are for travel, which may include transportation and meals and lodging while away from home, they may be deducted only if there is no significant element of personal pleasure, recreation, or vacation in the travel. Actual costs of gas and oil can be deducted, or you can choose to take 14 cents per mile for using your own car." Source: IRS web site at: **http://www.irs.gov/taxtopics/tc506.html**

C Consider donating artwork from your collection. Reasons may include***:***

- Deaccessioning an item from your collection
- Making room for new work
- Generosity toward the auction sponsor

1. **If you donate work from your collection (especially if it is by a well known local artist), it is advisable to notify the artist**, the artist's gallery or both, in advance of the donation.
   a. This is a basic courtesy that fosters goodwill within the arts and crafts community.
   b. This avoids multiple donations of one artist's work that could affect their market or gallery representation.
2. **Is the artist or the artist's gallery planning to donate other examples of the artist's work?** When multiple pieces of an artist's work appear during the same auction, the overexposure may be injurious to the artist's career or, reputation.
3. **Will an appraisal be necessary?** If a collector is donating an artist's work, there are tax consequences that may require an appraisal (from a gallery or professional in the field) at the time of donation and advice from an accountant. (Read page 230 in the *Legal Guide for the Visual Artist* by Tad Crawford for a brief description; see the Professional Guidelines document *Resources for Legal and Professional Advice* for where to get this book.)

   In the Appendix at the end of this document, there is information from the I.R.S. regarding when you need appraisals and what the appraisal needs to include.

VII DONATING WORK TO FUNDRAISING AUCTIONS

A Before you decide to make a donation, read The Professional Guidelines document, ***FUNDRAISING AUCTIONS: Issues and Checklist for Artists in the Professional Guidelines***. It contains information that you may find insightful. In addition, the following information in this document is designed to make donations to fundraising auctions more attractive to bidders and more effective in generating funds for the auction sponsor.

Topics covered include:

- *Questions to ask before donating to fundraising auctions* (section VI.)
- *Donating work to fundraising auctions* (section VII.)
- The **Appendix at the end of this document has information from the IRS web site about charitable contributions.** If you claim a deduction on your return of over $500 for all contributed property, you must attach a Form 8283, *Noncash Charitable Contributions*, to your return. If you claim a total deduction of $5,000 or less for all contributed property, you need only complete Section A of Form 8283. If you claim a deduction of more than $5,000 for an item or a group of similar items, you generally need to complete Section B of Form 8283 which requires a qualified appraisal by a qualified appraiser.

B Donate work only to organizations that you want to support. You will probably get a number of requests during the year. Choose wisely.

C **Donate work only if the style of work is consistent with the organization.** For example, if your donation is bold, contemporary, or conceptually challenging, then giving work to an auction for a folk art museum may not be consistent with the target audience.

D **Donate work only if the auction audience is familiar with the type of work.** No matter how fantastic the piece, or how well received by critics, if the auction audience is not familiar with the work or understand it, they will not place bids. For example, most elementary school parents would rather get a donated Blockbuster gift certificate than a piece of jewelry that they do not understand or will never wear. This is not an insult, just a fact.

E **Be cautious when donating to auctions that rely heavily on the Internet.** Internet sales of art and craft are still in their infancy. The computer screen does not convey adequately the rich experience of viewing an object or painting in person. The best use of the Internet is to increase exposure for an auction, extend the bidding to a wider audience that is already familiar with the work and extend bidding hours.

F **Document your donation** by preparing an accurate description.
Submit this with the paperwork to the auction sponsor prior to the donation and include a duplicate copy when sending your donation to the auction. Do this even if the auction sponsor did not ask for it.
Include the following information:

1 Artist's name
2 Title of donated work
3 Date of work
4 Complete description of materials, if available
5 Complete artist statement, if you have one, to be used in catalogue or web site. The more the artists say about themselves, the more information the auction can provide to the bidder.
6 Provenance of the work, if possible. This may include exhibitions, or books that included the artwork, and/or previous owners.
7 Retail value for the donated work.

G **A written appraisal is required by the I.R.S. for donations over $5,000 in value.** The appraisal can be written by a gallery, museum or art professional familiar with the artist's work stating the current value of your donation to the auction. (The price you paid for the work may not be an accurate valuation depending on the artist's career developments. The value of the work may have increased since your original purchase.)
To facilitate the appraisal, offer the appraiser:

1 Artist's name
2 Title of donated work
3 Date of work
4 Complete description of materials, if available
5 Provenance of the work, if possible.

See the *Appendix* to this document with pertinent facts from the I.R.S. web site including all the information required on your appraisal by the I.R.S.

H **Consider how the work will be displayed.** Many auctions are not professionally hung or displayed. Temporary tables with cloth over them are typical. Consider offering an appropriate display your donation, (perhaps loaning a pedestal for example). This requires less effort from the auction staff and it enhances your donation tremendously.

I **Send photographic images early.** Send digital images 2 to 3 months (or more) in advance of the auction, if possible. *This is the most helpful item that a collector (or artist) artist can provide – after artwork.* Maybe the auction sponsor will use the images of your donation for the publicity, newsletter or auction announcements.

VIII AFTER THE AUCTION

A **Do not feel insulted if your donation does not sell for the minimum bid, the reserve price or at its regular retail price.** Work at auctions rarely sells at full retail price. Maybe the auction did not attract just that person who could understand the work or afford the price. Arrange for the return of your donation, if necessary.

B **Get a receipt for your donation from the auction sponsor to whom you donated the work.**

C **Submit a copy of the appraisal and receipt with your tax return.** It is a good idea to submit a copy of this appraisal with your income taxes if you are taking this donation as a tax deduction. Donors must submit a specific IRS form for donations over $5,000. In general, refer all questions about tax matters to your tax advisor.

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APPENDIX

THE FOLOWING TAX INFORMATION IS TAKEN DIRECTLY FROM THE I.R.S. WEB SITE for the reader's convenience. NO INTERPRETATION OF THE TEXT HAS BEEN MADE BY THE PROFESSIONAL GUIDELINES.

For a contribution of $250 or more, you can claim a deduction only if you obtain a written acknowledgment from the qualified organization. You generally can deduct your cash contributions as well as the fair market value of any property you donate to qualified organizations.

Deductions of At Least $250 But Not More Than $500

If you claim a deduction of at least $250 but not more than $500 for a noncash charitable contribution, you must get and keep an acknowledgement of your contribution from the qualified organization. If you made more than one contribution of $250 or more, you must have either a separate acknowledgement for each or one acknowledgement that shows your total contributions.

The acknowledgement must contain the information in items (1) through (3) listed under *Deductions of Less Than $250,* earlier, and your written records must include the information listed in that discussion under *Additional records*.

The acknowledgement must also meet these tests:

1. It must be written.
2. It must include:
    a. A description (but not necessarily the value) of any property you contributed,
    b. Whether the qualified organization gave you any goods or services as a result of your contribution (other than certain token items and membership benefits), and
    c. A description and good faith estimate of the value of any goods or services described in (b). If the only benefit you received was an intangible religious benefit (such as admission to a religious ceremony) that generally is not sold in a commercial transaction outside the donative context, the acknowledgement must say so and does not need to describe or estimate the value of the benefit.
3. You must get it on or before the earlier of:
    a. The date you file your return for the year you make the contribution, or
    b. The due date, including extensions, for filing the return.

Deductions Over $500 But Not Over $5,000

If you claim a deduction over $500 but not over $5,000 for a noncash charitable contribution, you must have the acknowledgement and written records described under *Deductions of At Least $250 But Not More Than $500*. Your records must also include:

1. How you got the property, for example, by purchase, gift, bequest, inheritance, or exchange.
2. The approximate date you got the property or, if created, produced, or manufactured by or for you, the approximate date the property was substantially completed.
3. The cost or other basis, and any adjustments to the basis, of property held less than 12 months and, if available, the cost or other basis of property held 12 months or more. This requirement, however, does not apply to publicly traded securities.

If you are not able to provide information on either the date you got the property or the cost basis of the property and you have a reasonable cause for not being able to provide this information, attach a statement of explanation to your return.

Deductions Over $5,000

If you claim a deduction of over $5,000 for a charitable contribution of one property item or a group of similar property items, you must have the acknowledgement and the written records described under *Deductions Over $500 But Not Over $5,000.* In figuring whether your deduction is over $5,000, combine your claimed deductions for all similar items donated to any charitable organization during the year.

Generally, you must also obtain a qualified written appraisal of the donated property from a qualified appraiser. See *Deductions of More Than $5,000* in Publication 561 for more information.

Generally, if the claimed deduction for an item or group of similar items of donated property is more than $5,000, other than money and publicly traded securities, you must get a qualified appraisal made by a qualified appraiser, and you must attach an appraisal summary (Section B of Form 8283) to your tax return. You should keep the appraiser's report with your written records. Records are discussed in Publication 526. The phrase similar items means property of the same generic category or type (whether or not donated to the same donee).

Cost of appraisals. You may not take a charitable contribution deduction for fees you pay for appraisals of your donated property. However, these fees may qualify as a miscellaneous deduction, subject to the 2% limit, on Schedule A (Form 1040) if paid to determine the amount allowable as a charitable contribution.

Prohibited appraisal fee. Generally, no part of the fee arrangement for a qualified appraisal can be based on a percentage of the appraised value of the property. If a fee arrangement is based on what is allowed as a deduction, after Internal Revenue Service examination or otherwise, it is treated as a fee based on a percentage of appraised value.

A qualified appraisal is an appraisal document that:

1. Relates to an appraisal made not earlier than 60 days prior to the date of contribution of the appraised property,
2. Does not involve a prohibited appraisal fee,
3. Includes certain information (covered later), and
4. Is prepared, signed, and dated by a qualified appraiser (defined later).

You must receive the qualified appraisal before the due date, including extensions, of the return on which a charitable contribution deduction is first claimed for the donated property. If the deduction is first claimed on an amended return, the qualified appraisal must be received before the date on which the amended return is filed.
An appraisal summary (discussed later) must be attached to your tax return. Generally, you do not need to attach the qualified appraisal itself, but you should keep a copy as long as it may be relevant under the tax law. If you donated art valued at $20,000 or more, however, you must attach a complete copy of the signed appraisal.

Prohibited appraisal fee. Generally, no part of the fee arrangement for a qualified appraisal can be based on a percentage of the appraised value of the property. If a fee arrangement is based on what is allowed as a deduction, after Internal Revenue Service examination or otherwise, it is treated as a fee based on a percentage of appraised value. However, appraisals are not disqualified when an otherwise prohibited fee is paid to a generally recognized association that regulates appraisers if:

- The association is not organized for profit and no part of its net earnings benefits any private shareholder or individual,
- The appraiser does not receive any compensation from the association or any other persons for making the appraisal, and
- The fee arrangement is not based in whole or in part on the amount of the appraised value that is allowed as a deduction after an Internal Revenue Service examination or otherwise.

Information included in qualified appraisal. A qualified appraisal must include the following information:

1. A description of the property in sufficient detail for a person who is not generally familiar with the type of property to determine that the property appraised is the property that was (or will be) contributed,
2. The physical condition of any tangible property,
3. The date (or expected date) of contribution,
4. The terms of any agreement or understanding entered into (or expected to be entered into) by or on behalf of the donor that relates to the use, sale, or other disposition of the donated property,
5. The name, address, and taxpayer identification number of the qualified appraiser and, if the appraiser is a partner, an employee, or an independent contractor engaged by a person other than the donor, the name, address, and taxpayer identification number of the partnership or the person who employs or engages the appraiser,
6. The qualifications of the qualified appraiser who signs the appraisal, including the appraiser's background, experience, education, and any membership in professional appraisal associations,
7. A statement that the appraisal was prepared for income tax purposes,
8. The date (or dates) on which the property was valued,
9. The appraised FMV on the date (or expected date) of contribution,
10. The method of valuation used to determine FMV, such as the income approach, the comparable sales or market data approach, or the replacement cost less depreciation approach, and
11. The specific basis for the valuation, such as any specific comparable sales transaction.

Art objects. The following are examples of information that should be included in a description of donated property. These examples are for art objects. A similar detailed breakdown should be given for other property. Appraisals of art objects—paintings in particular—should include:

1. A complete description of the object, indicating the:
    a. Size
    b. Subject matter
    c. Medium
    d. Name of the artist (or culture)

    e. Approximate date created
2. The cost, date, and manner of acquisition.
3. A history of the item, including proof of authenticity.
4. A photograph of a size and quality fully showing the object, preferably a 10 × 12 inch print.
5. The facts on which the appraisal was based, such as:
    a. Sales or analyses of similar works by the artist, particularly on or around the valuation date.
    b. Quoted prices in dealer's catalogs of the artist's works or works of other artists of comparable stature.
    c. A record of any exhibitions at which the specific art object had been displayed.
    d. The economic state of the art market at the time of valuation, particularly with respect to the specific property.
    e. The standing of the artist in his profession and in the particular school or time period.

Number of qualified appraisals. A separate qualified appraisal is required for each item of property that is not included in a group of similar items of property. You need only one qualified appraisal for a group of similar items of property contributed in the same tax year, but you may get separate appraisals for each item. A qualified appraisal for a group of similar items must provide all of the required information for each item of similar property. The appraiser, however, may provide a group description for selected items, the total value of which is not more than $100.

Qualified appraiser. A qualified appraiser is an individual who declares on the appraisal summary that he or she:

- Holds himself or herself out to the public as an appraiser or performs appraisals on a regular basis,
- Is qualified to make appraisals of the type of property being valued because of his or her qualifications described in the appraisal,
- Is not an excluded individual, and
- Understands that an intentionally false overstatement of the value of property may subject him or her to the penalty for aiding and abetting an understatement of tax liability.

An appraiser must complete Part III of Section B (Form 8283) to be considered a qualified appraiser. More than one appraiser may appraise the property, provided that each complies with the requirements, including signing the qualified appraisal and appraisal summary.

Excluded individuals. The following persons cannot be qualified appraisers with respect to particular property:

1. The donor of the property, or the taxpayer who claims the deduction.
2. The donee of the property.
3. A party to the transaction in which the donor acquired the property being appraised, unless the property is donated within 2 months of the date of acquisition and its appraised value does not exceed its acquisition price. This applies to the person who sold, exchanged, or gave the property to the donor, or any person who acted as an agent for the transferor or donor in the transaction.
4. Any person employed by, married to, or related under section 267(b) of the Internal Revenue Code, to any of the above persons. For example, if the donor acquired a

painting from an art dealer, neither the dealer nor persons employed by the dealer can be qualified appraisers for that painting.

5. An appraiser who appraises regularly for a person in (1), (2), or (3), and who does not perform a majority of his or her appraisals made during his or her tax year for other persons.

In addition, a person is not a qualified appraiser for a particular donation if the donor had knowledge of facts that would cause a reasonable person to expect the appraiser to falsely overstate the value of the donated property. For example, if the donor and the appraiser make an agreement concerning the amount at which the property will be valued, and the donor knows that such amount exceeds the FMV of the property, the appraiser is not a qualified appraiser for the donation.

For more information go to the IRS web site at: http://www.irs.gov/faqs/faq-kw49.html

For more information on these requirements, refer to Publication 526, *Charitable Contributions*, Publication 561, *Determining the Value of Donated Property*; Form 8283, Noncash Charitable Contributions; and its instructions, and Tax Topic 506, *Contributions*.

References:

- Publication 526, *Charitable Contributions*
- Form 8283 (PDF), *Noncash Charitable Contributions*
- Tax Topic 506, *Contributions*
- Form 1040, Schedule A (PDF) , *Itemized Deductions*

Donations of your services:

Although you cannot deduct the value of your time or services, you can deduct the expenses you incur while donating your services to a qualified organization. If the expenses are for travel, which may include transportation and meals and lodging while away from home, they may be deducted only if there is no significant element of personal pleasure, recreation, or vacation in the travel. Actual costs of gas and oil can be deducted, or you can choose to take 14 cents per mile for using your own car.

Deductions for contributions in excess of 20% of your adjusted gross income may be limited depending on the type of property or the type of organization the donation is contributed to.

For more information, refer to Publication 526, *Charitable Contributions*, and for information on determining value, refer to Publication 561, *Determining the Value of Donated Property*.

How To Get Tax Help
You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get more information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Contacting your Taxpayer Advocate. If you have attempted to deal with an IRS problem unsuccessfully, you should contact your Taxpayer Advocate.

The Taxpayer Advocate independently represents your interests and concerns within the IRS by protecting your rights and resolving problems that have not been fixed through normal channels. While Taxpayer Advocates cannot change the tax law or make a technical tax decision, they can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review.

To contact your Taxpayer Advocate:

- Call the Taxpayer Advocate toll free at **1–877–777–4778**
- Call, write, or fax the Taxpayer Advocate office in your area.
- Call **1–800–829–4059** if you are a TTY/TDD user.
- Visit the web site at **www.irs.gov/advocate**.