

ARTICLES

Who needs an art collection appraisal anyway? (Video)

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Great personal art collections can kind of sneak up on you. The thrill of finding and adding new pieces can easily overshadow an equally important, but seemingly tedious, aspect of art ownership: ensuring that your collection is fully inventoried, currently valued and adequately covered.

You might think that if you've kept all your purchase documents, you're set in the event of a loss or damage, but that's far from true. Besides, a good appraisal has important use beyond insurance coverage.

Here's a quick look at why you actually do need a collection appraisal.

Collections are an asset, and should be considered like any other part of your estate. An updated appraisal that's available during estate planning provides an objective understanding of your collection's value and can aid in estate-distribution decisions. Having a clear plan in place, an appraisal on file and a complete inventory of items will help you avoid administrative fees from attorneys and trustees as the estate is settled.

Inventoried and establishing values also clearly identifies the complete collection's contents for your heirs, properly establishes value figures for estate-tax set-aside funds and helps to minimize the tax burden on your heirs. An appraisal document is clearly a helpful first step in proving clear title should your heirs someday wish to sell their inherited works.

Whether this occurs at an auction or a private sale, those heirs will need to establish title. If the artwork has not passed to them through normal channels, and appropriate taxes have not been paid, the IRS will find out at the time of sale. Estate taxes will have to be paid, and usually there will be additional capital gains imposed on the work.

The IRS, meanwhile, is well versed in personal property appraisals and understands the difference between insurance and tax appraisals. IRS appraisal reviews are done by a special fine art advisory panel and come with their own rigors, including Uniform Standards of Professional Appraisal Practice (USPAP) compliance and strict criteria for documenting photography. For IRS appraisals, the following additional



information should be supplied:

- Confirmation that the IRS has not disqualified the appraiser
- Required IRS forms
- Appraiser's tax ID number
- Photographs of the artwork

An appraisal's worth can vary greatly depending on whether it's for insurance, donation, estate, equitable distribution (in the case of divorce), inventory, damage/loss protection or something else.

A proper appraisal requires rigorous amounts of documentation in order that the appraisal "stand the test of time" and should include: the appraisal's purpose, methodology, inspection date, fee structure and appraiser's biography among other information.

Whether it's performed for insurance value, the IRS or estate planning, the appraisal should be as accurate as possible to avoid potential negative consequences of underinsurance or inaccurate tax-related information.

Depending on your collection, an appraiser can usually assess five to ten items an hour. Very important works or those with extensive provenance may take longer. Well-executed appraisals typically cost between \$125 and \$350 per hour. A flat fee request at the outset might not be granted, but it can't hurt to ask.

Whether its purpose is to ensure proper coverage for an artwork or to help the owner plan for the future, an appraisal is a must-have for any private collector and is well worth the time and effort.

*Originally posted on Worth.com

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