

# Giving Is Getting Again

The announcement that Congress had revived the tax incentive to donate art to museums may have been unexpected, but it was no accident. Ever since the 1986 tax reform, museum groups have lobbied ceaselessly for it. Donations once made up as much as 80 percent of museum acquisitions, but they declined dramatically when the tax breaks were removed. The new provision could be worth millions of dollars in gifts to American museums and millions in deductions to taxpayers who have museum-quality art, tax liabilities, and the inclination to give both of them away.

Don't be intimidated by the phrase "museum-quality": institutions of all sizes may be interested in what you have to offer them. "Not everyone is aware of how important these new provisions are," says Earl Powell, III. *continued on page 31*

ART & ANTIQUES

FEBRUARY 1991

## SKETCHBOOK

*continued from page 26* director of the Los Angeles County Museum of Art. "One-item gifts are as important as entire collections. We want them all—right away."

Collectors whose adjusted gross income exceeds \$100,000 may now deduct the appreciated value of art works or manuscripts donated to museums in 1991. And since tax rates have recently increased, as many deductions and exemptions were phased out, art donations are one of the



*A Gauguin given to LACMA under the new law.*

few tax breaks still available. There is a catch, however: the deduction applies only for this year, pending possible renewal.

"Museums had better be able to demonstrate big-ticket returns by year's end if they want to convince Congress to renew," says Henry T. Hopkins, former director of the San Francisco Museum of Modern Art. "This is everybody's big chance."

But there are important pitfalls to avoid. "People think they're just going to give it," says Karen Carolan, who chairs the IRS's Art Advisory Panel. "It's not that simple."

Although the amount of appreciation is deductible, if it is more than 30 percent of the taxpayer's adjusted gross income, the difference may be deducted as a carry-over the following year. What happens if the law is not renewed? No one knows.

Then there's the question of valuation. Taxpayers may deduct the fair market value of their gifts, but who says what's fair? For any gift larger than \$5,000, Uncle Sam requires a "qualified appraisal report." And if the donation is larger than \$20,000, the district office will refer it directly to the Art Advisory Panel for review. Penalties for false valuations are stiff. Appraisers may be disbarred, and donors face severe fines. Congress has also recently imposed stringent regulations for appraisers: they must now be tested, licensed, and regulated. If your appraiser isn't, your tax write-off is null and void. JESSICA L. DARRABY