

GIFTS OF ART WORK TO THE BSA FOUNDATION

Foundation Donor Scenario #1

The Foundation had a donor with a painting she purchased several years ago for \$50,000. It appraised at \$120,000. She gave the painting to the National Scouting Museum to be used as part of its display and for teaching purposes.

She qualifies for a charitable tax deduction in the amount of \$120,000 – she could use up to 30% of her adjusted gross income in the year of the gift. She couldn't use the entire tax deduction in the year of the donation, but she could also carry forward the excess tax deductions for five years. This gift of the painting was a related use gift, a term used by the IRS, because it was art given to a nonprofit art museum.

Foundation Donor Scenario #2

Some Philmont supporters (in their early 60's) collected Western art. They had a great Charles Russell oil painting that they no longer needed. They bought it for \$100,000 years ago, and the painting appraised at \$400,000. They were interested in increasing their annual income, and wanted to know if we could do something with the painting.

We created what is referred to as a FLIP unitrust, and they transferred title to the painting into this trust. However, after 10% sale costs, the trust had \$360,000 in cash, and the donors would receive 6% of this amount for their lifetimes. Even if the trust principal increases only slightly in value, over their estimated 28-year life expectancy, the donors would receive a total of \$770,000. Because the painting was not going to be used by the museum, the tax deduction was based on cost basis, not fair market value: \$100,000. The actual charitable tax deduction had to be reduced to \$24,270 because of the lifetime income they would receive.

VALUATION ISSUES

Noncash gifts in excess of \$500 require filing an IRS Form 8283. Part A of 8283 includes the description of the property. However, if the value of the property exceeds \$5,000 an appraisal is required. The appraisal must be by a qualified person who "holds himself or herself out to the public" as an art appraiser. The appraisal must have been performed no more than 60 days prior to the gift and no later than the due of the donor's tax return (including extensions).

If a deduction is claimed for a gift of artwork and the value is greater than \$20,000, the complete signed appraisal must be submitted with the Form 8283. In addition, either an 8" X 10" color photo or a 4" X 5" color transparency of the art object must be provided.