

Abstract: Individuals may want to donate artwork so it can be enjoyed by a wider audience or available for scholarly study or simply to make room for new artwork in their home. This article offers four tips for donating artwork with an eye toward tax savings, including getting an appraisal and considering a fractional donation.

4 tips for donating artwork to charity

Individuals may want to donate artwork so it can be enjoyed by a wider audience or available for scholarly study or simply to make room for new artwork in their home. Here are four tips for donating artwork with an eye toward tax savings:

1. *Get an appraisal.* Donations of artwork valued at over \$5,000 require a “qualified appraisal” by a “qualified appraiser.” IRS rules detail the requirements. In addition, auditors are required to refer all gifts of art valued at \$20,000 or more to the agency’s Art Advisory Panel. The panel’s findings are the IRS’s official position on the art’s value, so it’s critical to provide a solid appraisal to support your valuation.

2. *Donate to a public charity.* Donations to a qualified public charity (such as a museum or university) potentially entitle you to deduct the artwork’s full fair market value. If you donate to a private foundation, your deduction will be limited to your cost. The total amount of charitable donations you may deduct in a given year is limited to a percentage of your adjusted gross income (50% for public charities, 30% for private foundations) with the excess carried forward for up to five years.

3. *Beware the related-use rule.* To qualify for a full fair-market-value deduction, the charity’s use of the artwork must be related to its tax-exempt purpose. Even if the related-use rule is satisfied initially, you may lose some or all of your deductions if the artwork is worth more than \$5,000 and the charity sells or otherwise disposes of it within three years of receipt. If that happens, you may be able to preserve your tax benefits via a certification process. (For further details, please contact us.)

4. *Consider a fractional donation.* Donating a fractional interest allows you to save tax dollars without completely giving up the artwork. Say you donate a 25% interest in your art collection to a museum for it to display for three months annually. You could then deduct 25% of the collection’s fair market value and continue displaying the art in your home or business for most of the year.

The rules for fractional donations, and charitable contributions of artwork in general, can be tricky. Plus, tax law changes affecting deductions may occur in the coming year. Contact our firm for help.