When Appraisals are Required for Non-Cash Charitable Contributions

IRS requires donors and donee organizations to supply certain information to prove a taxpayer's right to deduct charitable contributions. If you donate an item (or a group of similar items) of property worth more than $5,000, certain appraisal requirements apply. You must get a "qualified appraisal," attach an "appraisal summary" to the first tax return on which the deduction is claimed, include other information with the return, and maintain certain records.

You must receive the qualified appraisal before your tax return is due. While a court has allowed taxpayers some latitude in meeting the "qualified appraisal," I think you should aim for exact compliance.

The qualified appraisal isn't submitted to IRS in most cases. Instead, the appraisal summary, which is a separate statement prepared on an IRS form, is attached to the donor's tax return. However, a copy of the appraisal must be attached for gifts of art valued at $20,000 or more and for all gifts of property valued at more than $500,000, other than inventory, publicly-traded stock, and intellectual property. If an item has been appraised at $50,000 or more, you can ask IRS to issue a "Statement of Value" which can be used to substantiate the value.

Failure to comply with the appraisal requirements. The penalty for a taxpayer's failure to get a qualified appraisal and attach an appraisal summary to his return is denial of the charitable deduction. The deduction may be lost even if the property was valued correctly. There is an exception if the failure was due to reasonable cause.

Exceptions to qualified appraisal requirement. A qualified appraisal *isn't* required for contributions of:

- a car, boat, or airplane for which the deduction is limited to the charity's gross sales proceeds,
- stock in trade, inventory, or property held primarily for sale to customers in the ordinary course of business,
- publicly-traded securities for which market quotations are "readily available," and
- qualified intellectual property, such as a patent or trademark.

Also, only a partially completed appraisal summary must be attached to the tax return for contributions of:

- non-publicly-traded stock for which the claimed deduction is greater than $5,000 and doesn't exceed $10,000; and
- publicly-traded securities for which market quotations aren't "readily available."

Application of rules where two or more gifts are made. If you make gifts of two or more properties during a tax year, even to multiple donees, the claimed values of all property of the same category or type (such as stamps, paintings, books, non-publicly-traded stock, land, jewelry, furniture, or toys) are added together in determining whether the $5,000 or $10,000 limits are exceeded.

A *"qualified appraisal"* is a complex and detailed document. It must be prepared and signed by a qualified appraiser.

An *"appraisal summary"* is a summary of a qualified appraisal made on Form 8283 and attached to the donor's return.

In summary, you must be careful to comply with the appraisal requirements or risk disallowance of your charitable deduction. If you have any further questions, or to discuss any aspect of your contribution planning, please give me a call.

Please contact our firm with questions.

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