

## Appendix O: Appraisals

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# Appendix O: Appraisals of Museum Collections

## O.1 Appraisals

### O.1.1 What is an appraisal?

An appraisal is an expert estimate of the value of something. The term “appraise” means to place a value on, rate, or judge. Appraisals of museum objects usually are made to determine monetary value. Park staff or subject matter experts can provide informal appraisals for park use. An arms-length, qualified appraiser is required for formal appraisals.

### O.1.2 When would I want to assign a monetary value to museum objects?

Assigning monetary values to museum objects can be an important part of collections management. You can use monetary values to:

- determine replacement value for insuring outgoing loans
- document that an exchange of museum objects is equitable
- choose which objects will be controlled property
- justify the need for conservation work
- justify protection and preservation actions
- determine loss in case of damage or theft
- confirm purchase price or the monetary value of an acquisition
- document a proposed deaccession

**Note:** In the case of theft, law enforcement may base the level of investigation on the monetary value of the object.

### O.1.3 When am I required to get a formal appraisal of museum objects?

You must get a formal monetary appraisal for objects in an exchange with:

- institutions outside the federal government
- private individuals

Refer to Chapter 6 for information on exchanges.

### **O.1.4 Do all collections have a monetary value?**

Curators and discipline specialists are usually reluctant to give a monetary value to most natural history and archeological collections. However, certain archeology, paleontology, and geology specimens have a monetary value in the current market. For example, dinosaur specimens can have an extremely high value.

A monetary value may be inappropriate for NAGPRA material and other ethnographic items of cultural significance. Consult with the culturally affiliated group before assigning a monetary value to these types of materials.

### **O.1.5 What other kinds of value do museum collections have?**

Museum collections have scientific, cultural, historic, educational, and esthetic value in addition to their monetary value. NPS collections, in particular, have high associative value. The items in NPS collections are associated with the people, events, and natural features that the parks commemorate. These types of values make many museum items irreplaceable and invaluable.

## **O.2 Monetary Value**

### **O.2.1 What is fair market value?**

Fair market value is the price that a willing buyer and seller agree to when there is no pressure to buy or sell. Both the buyer and the seller should have a reasonable knowledge of the item for sale.

Formal appraisals are based on fair market value. Use fair market value to determine if an exchange is equal. Donors use fair market value to determine value for tax deduction purposes.

### **O.2.2 What is replacement value?**

Replacement value is the amount of money you would need to buy a similar item at full retail cost. In the case of replacement value, the owner has no intention of selling the item.

Replacement value is appropriate for most situations in a park, such as:

- including a value on the catalog record
- determining insurance coverage for an outgoing loan
- making management decisions about the collection

**Note:** The cost of conservation treatment for a site-specific, irreplaceable object may be more than the fair market or replacement value. Keep this point in mind when assigning values for outgoing loans.

### **O.2.3 Do all objects have a fair market and replacement value?**

No. You can usually place a fair market or replacement value on items that frequently appear in auction sales and antique stores. These types of items include artwork, furniture, ceramics, gems, firearms, textiles, coins, jewelry, books, and ethnographic objects. It's much more difficult to place a monetary value on items that have a less active market. For example, certain natural history specimens and archeological items such as soil and lithic samples may possess great historic or scientific value but little or no market value.

### **O.2.4 What makes an object valuable?**

Characteristics that affect object value include:

- artist or maker
- condition
- rarity
- authenticity
- fashion (market demand)
- age
- provenience
- documentation
- historic association
- materials
- quality of manufacture

NPS collections contain many objects with historic association that will affect their monetary value. For example, Theodore Roosevelt's Rough Riders hat will have a higher monetary value because of its association with both an historic person and event.

The condition of an object often affects its value. Missing pieces or visible repairs usually decrease value. Mint condition greatly increases value.

Sometimes the fact that a collection is complete makes it more valuable, such as a collection of 1939 World's Fair bric-a-brac. The completeness of the collection is more valuable than the items within it.

## **O.3 Informal Appraisals**

### **O.3.1 Can I assign values to museum objects?**

Yes. You can assign values to museum objects for some purposes, such as cataloging, identifying controlled property, and outgoing loans. You can't assign values for exchanges outside the federal government, for a donor's tax deduction, or in other cases that require a formal appraisal.

### **O.3.2 How should I determine a value for museum objects?**

An accurate identification of the object is the first step in assigning value. Once you have identified the object, you may need to:

- do research
- check auction catalogs and retail prices for information on market value and demand
- get help from NPS and other museum subject-matter specialists to determine authenticity

**Note:** Examine the object carefully, and match it as closely as possible to the examples in the auction catalogs and price guides.

### **O.3.3 How can I gain expertise in market values?**

Antique shows, auctions, and educational forums are good places to learn market values. Become familiar with auction catalogs, books on collectibles, and trade journals and newsletters. Price guides offer market values for many types of specialized objects such as dolls, pewter, glass, and furniture. Check price guides at least once a year for changes in market prices.

### **O.3.4 How do I locate subject-matter specialists?**

Other NPS curators or your regional office may be able to refer you to specialists who can authenticate particular types of objects, such as firearms or agricultural equipment. Go online to locate museums with specialized collections. Many curators are willing to help other museums identify material, but most museums do not allow their curators to provide monetary appraisals.

### **O.3.5 Must a specialist come to the park to evaluate the objects?**

No. Physical observation is the best way to evaluate objects, but specialists often can give you information from photographs. Provide a detailed description of the object. Photos must show several views and features such as wear, repairs, and maker's marks. Once you have an expert authentication of an object, you can begin to look for a market value.

## **O.4 Professional Appraisals**

### **O.4.1 When do I need to get a professional appraisal?**

You need a professional, or formal, appraisal for:

- objects of extremely high value or questionable authenticity
- an exchange of museum objects with individuals or institutions outside the federal government
- updating the value of an entire collection
- potential high value purchases or outgoing loans

**Note:** To determine the value of an entire collection, an appraiser classifies the types of items in the collection. He/she then estimates a value for each category and totals the figures. At times, an appraiser may place a value on each item and total the values.

### **O.4.2 How much does an appraisal cost?**

At one time, appraisers charged a percentage of the total value of the appraised objects. The Internal Revenue Service (IRS) now prohibits appraisal fees based on percentages. Appraisers now charge a per diem or hourly fee. Appraisers working with very high value objects are normally justified in charging a rate commensurate with the value of the objects.

A park may also accept donated appraisal services as long as there is no conflict of interest. Apply the same standards to someone donating services as you would to someone you are paying.

To save on costs, several parks may want to do a joint contract for the services of an appraiser. A region may also administer a contract for appraising objects in various parks.

### **O.4.3 Should I do a scope of work for the appraiser?**

Yes. Services of an appraiser usually include an on-site visit, research, and preparation of a written report. It's a good idea to send the appraiser a written scope of work that includes the:

- date the work is to be done
- fee for the appraisal
- objects to be appraised
- requirement for a final written report

#### **O.4.4 What should I do to prepare for the appraiser's visit?**

The following preparations will help make the best use of the appraiser's time:

- Decide whether you want market value or replacement value (see O.2.1 and O.2.2).
- Make sure that the appraiser will have physical access to the objects.
- Supply adequate lighting and a work table/space to examine the objects.
- Have relevant documentation for each object readily available. Documentation should include provenience information, photographs, and catalog records.

#### **O.4.5 What should an appraisal report include?**

A professional appraiser's written report should include the following information:

- client's name
- appraiser's name, address, and credentials
- date and place the appraiser viewed the material
- names of consultants
- if the value is fair market or replacement value
- description of the objects that includes, if applicable, condition ( including repairs or restoration work), dimensions, materials, style, technique, characteristics, title, date, artist/maker, site of origin, exhibit history, provenience, authenticity, maker's marks, and value



- total value
- basis for the value, such as auction house prices, current state of the market, artist's standing
- signature and date of report
- statement certifying no interest, past, present, or future in the subject property
- appraisal fee with a statement that it is not contingent on the appraised values

For additional information on appraisals. See the Uniform Standards of Professional Appraisal Practice (USPAP) at <https://www.appraisalfoundation.org>.

#### **O.4.6 Can I request changes to an appraisal report?**

Yes. Read the appraisal report carefully when you receive it. If the documentation is inadequate or there are factual errors, return the report immediately for adjustment. It's not appropriate to question the values, but you can question the appraiser's evidence or lack of documentation. It's easier to ask for changes in the report before you have paid for it.

#### **O.4.7 Do I need to get more than one appraisal?**

You must get two written appraisals for exchanges outside the federal government for objects that are over \$20,000 in value.

For objects over \$5,000, you may want to get more than one appraisal and average the values.

#### **O.4.8 Does the appraiser have to physically examine the objects?**

Having the appraiser actually see and handle the objects is the preferred method of conducting an appraisal. However, at times appraisals can be completed from photographs and a detailed written description. The photos must show all aspects of an object, including condition and distinguishing features.

### **O.5 Appraisers**

#### **O.5.1 What does a professional appraiser do?**

A professional appraiser is an acknowledged expert who places monetary values on objects for a fee. Appraisers produce written appraisal statements that include:

- a detailed description of the objects

- an appraised monetary value for the objects
- the facts that are the basis for the value

**Note:** An appraisal must be supported and justified by facts. For example, many appraisers use prices from recent sales of similar objects to determine a value.

### **O.5.2 How do I find an appraiser?**

The geographical location of some parks can make locating an appraiser difficult.

To find an appraiser, contact:

- your regional curator
- other NPS curators
- museum staff from other institutions
- private collectors
- insurance agents
- professional appraisal organizations (see O.5.4)

### **O.5.3 What should I look for in an appraiser?**

You need to make sure that the appraiser you hire is qualified and ethical. The appraisal of museum objects is not a licensed profession. In fact, most appraisers are commercial dealers. You want an appraiser with a good reputation who is impartial and honest. An appraiser must have no past, present, or future interest, monetary or otherwise, in the object being appraised. He/she may not be a previous owner or vendor of the object. Formal appraisals are sometimes called arms-length appraisals because the appraiser acts independently and has no relationship with the objects.

Look for an appraiser who is an expert in the type of collections for which you want an appraisal. If the appraiser doesn't know the material, he/she will have to do additional research that will increase the cost of the appraisal.

Interview potential appraisers and ask about their training, education, experience, specialties, references, and professional memberships. Ask about the resources they use and how they determine comparisons. You'll also want to see an example of their work. Look for appraisal reports that are complete and that show an expert knowledge of the material.

A good appraiser will be objective, professional, and businesslike. He/she will produce a well-documented report that can withstand close scrutiny.

#### **O.5.4 What do professional appraisal organizations do?**

The American Society of Appraisers and the Appraiser Association of America provide education and accreditation for appraisers, including periodic recertification. Both associations maintain a directory of certified and accredited appraisers in various categories, such as paintings and other fine arts. These organizations have standards and requirements for their members. However, there are some very good appraisers who are not members of a professional organization.

The Appraisal Foundation is an educational organization that promotes professional practice and provides information of appraisal standards and appraiser qualifications. Their web site at [www.appraisalfoundation.org](http://www.appraisalfoundation.org) contains information on appraisers and the appraisal process. The Foundation promotes the Uniform Standards in Professional Appraisal Practice (USPAP).

#### **O.5.5 Are there laws related to appraisers?**

Yes. The Pension Protection Act of 2006, Pub. L. 109-280, 120 Stat. 780 (2006), provides stricter definitions for a qualified appraisals. The law also defines people who are excluded from being a qualified appraiser.

According to the Act, a qualified appraiser:

- has been designated as a competent appraiser by a recognized professional appraisal organization or has relevant education and at least 2 years of experience
- regularly prepares paid appraisals
- can verify education and experience in valuing the type of objects being appraised
- has not been barred by the IRS for incompetence or violating regulations, according to 31 USC 330(c), within the last three years; however, the IRS does not provide a list of barred appraisers
- does not fit the definition of an excluded individual

The Act defines an excluded individual as:

- the donor or taxpayer claiming the deduction
- the donee

- a party to how the donor acquired the objects
- any person employed by the other excluded persons
- any person related to the other excluded persons
- an appraiser used regularly by the donor or donee who does not appraise for a majority of other clients

## **O.6 Re-Appraising Objects**

### **O.6.1 How often should I re-appraise the objects in my collection?**

Continual fluctuations in the market for antiques and fine arts mean that values don't remain current. You should periodically re-examine the values on your catalog records. Re-evaluations are particularly important in the event of theft. The value on the catalog record will determine the type of police investigation and whether or not there are criminal prosecution charges.

Be especially aware of price fluctuations in “trendy” objects, such as dolls and Civil War material. Price increases on these types of objects can be much higher than you expect.

An appraiser may be willing to update his/her previous appraisal for a minimal fee.

### **O.6.2 How long is a professional appraisal valid?**

Depending on the material, a professional appraisal may be valid for years or only months. For most transactions, such as acquisitions, loans, and deaccessions, you'll want a current appraisal. For most objects in storage, you'll update the value infrequently. Update the values of exhibit items and controlled property more often.

The appraisals that you use in an exchange or donation can't be more than 60 days old.

## **O.7 Documenting Appraisal Information**

### **O.7.1 Where do I put appraisal information on the catalog record?**

Use the Appraisals Supplemental Record in ICMS to document appraisal information on the catalog record. The record allows you to track changes in value and link the appraisal data to the name and address of the appraiser. Refer to the supplemental record section of the *ICMS User Manual* for information on how to enter data in this record.

Information in the Appraisals Supplemental Record does not appear on the ICMS catalog record screens. Acquisition value and current value print on the Museum Catalog Record, Form 10-254 and 10-254B.

### **O.7.2 Where should I keep appraisal reports and other written documentation on monetary value?**

File appraisal information in the accession folder or the outgoing loan folder, deaccession folder, or catalog folder. Since most appraisals are for more than one object, you may have to make copies for multiple accession and catalog folders.

Attach electronic appraisal reports or scans of paper reports to the ICMS catalog or accession record on the Multimedia tab.

## **O.8 Appraisals and Tax Deductions**

### **O.8.1 When is an appraisal required for a donation of objects to a museum?**

Donors can claim a tax deduction for donating objects to a museum. The IRS:

- does not require an appraisal for donations less than \$500
- allows the use of fair market value for donations between \$500 and \$5,000
- requires a formal appraisal for donations that total over \$5,000 in one year

### **O.8.2 What IRS form does the donor use to claim a tax deduction?**

The donor uses IRS Form 8283 Noncash Charitable Contributions to claim a tax deduction. Keep a copy of the form, and file it in the accession folder.

### **O.8.3 Does the IRS require the park to acknowledge the donation on Form 8283?**

Yes. The park must complete the Donee Acknowledgment section (Part IV) of IRS 8283. This section acknowledges that the park:

- qualifies as a charitable organization and has received the donation
- will file IRS Form 8282, Donee Information Return, if the park disposes of the objects within 3 years of the date of receipt
- will or will not use the property for an unrelated use

**Note:** Signing Form 8283 does not mean that the park agrees with the appraised value.

#### **O.8.4 What is IRS Form 8282?**

If you deaccession a donation reported on Form 8283 within three years of receipt, you must report the deaccession to the IRS on Form 8282 Donee Information Return. You must include the donor's tax identification number and send the donor a copy of the form. Keep a copy of the form, and file it in the accession folder.

You don't need to complete Form 8282 if the donation was valued at less than \$500.

**Note:** It's against NPS policy to acquire an object with the intention of deaccessioning it.

#### **O.8.5 Can I appraise objects for tax deduction purposes?**

No. NPS staff cannot give appraisals for tax deduction purposes even on their own time. Providing an appraisal for potential donations is a conflict of interest, since the park is an interested party in the transaction.

#### **O.8.6 Can I refer an appraiser to a donor?**

No. You can't refer a specific appraiser to a donor in order to get an appraisal for tax deduction purposes. You can give donors a list of appraisers or refer them to the ASA and other professional associations of appraisers.

Refer donors to IRS Publication 561 Determining the Value of Donated Property at [www.irs.gov](http://www.irs.gov). This publication explains when appraisals are required, what they should contain, and how the IRS reviews them. IRS Publication 526 Charitable Contributions explains how to claim a deduction for charitable contributions.

**Note:** IRS requirements are frequently modified, so check the IRS web site when dealing with tax deductions.

#### **O.8.7 What if an appraiser inflates the value of a donation?**

The Pension Protection Act of 2006 imposes a penalty on the appraiser and the donor for gross overvaluations. The park should not get involved with reporting an overvaluation. Form 8283 contains a statement that the donee's signature does not mean agreement with the appraised value.

## **O.9 Bibliography**

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