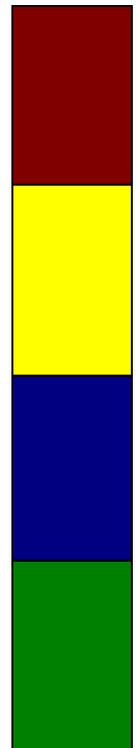


The Art Advisory Panel  
Of the  
Commissioner  
Of  
Internal Revenue

Annual Summary Report for  
Fiscal Year 2013  
(Closed meeting activity)



## Overview

Created in 1968, the Art Advisory Panel of the Commissioner of Internal Revenue (the Panel) provides advice and makes recommendations to the Art Appraisal Services (AAS) unit in the Office of Appeals for the Internal Revenue Service (IRS). Chartered under the Federal Advisory Committee Act (FACA), the Panel helps the IRS review and evaluate the acceptability of tangible personal property appraisals taxpayers submit in support of the fair market value claimed on the wide range of works of art involved in income, estate, and gift tax returns.

When a tax return selected for audit includes an appraisal of a single work of art or cultural property valued at \$50,000 or more, the local IRS office must refer the case to AAS for possible referral to the Panel, unless a specific exception exists. The AAS staff provides the support and coordination of the Panel meetings, while the AAS appraisers independently review taxpayers' appraisals for art works not referred to the Panel.

The Panel provides essential information to help foster voluntary compliance. The information and recommendations play an important role in the IRS's efforts to cost-effectively address the potentially high abuse area of art valuation. The Panelists provide information, advice, and insight into the world of art which cannot be obtained effectively from within the IRS and does not duplicate work performed in the IRS or elsewhere. The AAS appraisers review appraisals by researching publicly-available information; the Panel provides additional knowledge of private sales based on their personal experience as dealers, scholars, and museum curators, and from information obtained from other members of their relatively small industry. The panelists' knowledge is particularly beneficial when questions exist about the authenticity or condition of works of art.

Art Appraisal Services takes steps to ensure objectivity and taxpayer privacy. Information provided to the Panelists does not include the taxpayer's name, type of tax, the tax consequences of any adjustments to the value, or who did the appraisal. To minimize recognition by the Panelists of a taxpayer's entire collection, the art works are usually discussed in alphabetical order by artist or, in the case of decorative art, by object type. In the event of a conflict of interest involving a Panelist and a work of art under review, the Panelist does not participate in the discussion and is excused from that portion of the meeting.

Before Panel meetings, AAS appraisers send photographs and written materials to the panelists about the works of art under review. The materials include information from the taxpayer's appraisal, such as size, medium, physical condition, provenance, any comparable sales, and appraised value, and the AAS appraiser's own research, including available information on public and private sales of relevant art work.

During their meetings, the panelists review the information provided, along with the research and findings of both the Panelists and staff appraisers. After discussing each

item individually, they reach a consensus on its value. Panel discussions are lively, but serious; despite the different perspectives of dealers, museum curators, and scholars, disagreements are rare. When disagreements happen, they generally result from insufficient information. In these cases, the Panelists may indicate that additional research, such as inspecting the property or consulting with additional experts, is necessary before making a recommendation as to value. Once the AAS appraiser completes the additional work, the item may be brought up for review at a subsequent Panel meeting.

The Panel's recommendations are advisory. The AAS staff reviews all of the Panel's recommendations, which become the position of the IRS only with AAS concurrence. In Fiscal Year 2013 (FY 13), AAS adopted in full 95% of the Panel's recommendations and adopted the rest in part.

The AAS staff provides written reports or memos to the requesting IRS office, with a copy for the taxpayer, outlining the Panel's recommendations for adjustments to fair market value with all supporting evidence.

Taxpayers may request reconsideration of an adjusted claimed value only if they provide new information or probative evidence. The staff may submit such information to the Panel for reconsideration at a subsequent meeting.

### **Panel Leadership**

The Director, Art Appraisal Services serves as the Panel Chair and Designated Federal Officer (DFO) for FACA purposes.

### **Panel Sub-Committees**

The DFO has the authority to create subcommittees or workgroups. Subcommittees may be established for any purpose consistent with the Panel's charter, and are comprised of Panel members. There are currently two subcommittees: the Fine Arts Panel, which reviews paintings, sculpture, watercolors, prints, and drawings, etc; and the Decorative Arts Panel, which reviews antique furniture, decorative art, ceramics, textiles, carpets, and silver, etc.

### **Meetings**

The Panel generally meets once or twice a year in each specialty area. Panel meetings are closed to the public since all portions of the meetings concern matters that are exempted from disclosure under the provisions of section 552b(c)(3), (4), (6) and (7) of Title 5 of the U.S. Code. This determination, which is consistent with section 10(d) of the Federal Advisory Committee Act, as amended (5 U.S.C. App.2), is necessary to protect the confidentiality of tax returns and return information as required by Internal Revenue Code § 6103.

The meetings held during this reporting period included:

Type	Date	Location
Decorative Arts	December 5, 2012	New York, NY
Fine Arts	April 3, 2013	New York, NY
Decorative Arts	June 27, 2013	Washington, DC

### Summary of Panel Recommendations

During FY 13, the Panel reviewed 291 items with an aggregate taxpayer valuation of \$444,288,500 on 31 taxpayer cases under examination. The average claimed value of a charitable contribution item was \$2,361,154; the average claimed value for an estate and gift item was \$1,167,118.

The Panel recommended accepting 44% and adjustments to 56% of the appraisals it reviewed. On the adjusted items, the Panel recommended total net adjustments of \$54,556,123 on estate and gifts tax appraisals, a 33% increase. Net adjustments for charitable contribution appraisals totaled \$51,065,000, a 32% reduction.

The Panel also provided valuation expertise regarding a work of art in one income tax case unrelated to charitable contributions. The item from this taxpayer case is not included in the information above or that follows.

### Comprehensive Recommendations Report

Panel Type	# of items	Total T/P Claimed Value	Total Panel Recommended Value
Fine Art	238	\$444,421,500	\$447,515,623
Decorative Art	53	\$3,867,000	\$4,264,000
<b>Total</b>	<b>291</b>	<b>\$448,288,500</b>	<b>\$451,779,623</b>

Type of Tax	# of items adjusted	T/P Claimed Value	Type of Adjustment	Panel Recommended Value
Estate	40	\$50,701,500	Increase	\$80,246,423
	25	\$5,330,000	Decrease	\$2,406,200
Gift	30	\$76,890,000	Increase	\$114,950,000
	16	\$32,670,000	Decrease	\$22,545,000
Charitable Cont.	11	\$19,650,000	Increase	\$24,550,000
	42	\$140,515,000	Decrease	\$84,550,000
<b>Totals</b>	<b>164</b>	<b>\$325,756,500</b>	<b>Net Increase</b>	<b>\$329,247,623</b>

# Art Advisory Panel of the Commissioner of Internal Revenue 2013

Ms. Stephanie Barron	Senior Curator of Modern Art Los Angeles County Museum of Art Los Angeles, CA
Mr. Douglas Baxter	President The Pace Gallery New York, NY
Mr. Leon Dalva	Dalva Brothers, Inc. New York, NY
Ms. Alice Duncan	Director Gerald Peters Gallery New York, NY
Mr. Michael Findlay	Director Acquavella Galleries, Inc. New York, NY
Mr. Brock Jobe	Professor of American Decorative Arts Winterthur Museum Winterthur, DE
Mr. Christian Jussel	Independent Scholar/Art Adviser New York, NY
Mr. Ian Kennedy**	Curator of European Paintings & Sculpture to 1900 The Nelson-Atkins Museum of Art Kansas City, MO
Ms. Rebecca Lawton	Curator of Paintings and Sculpture Amon Carter Museum Fort Worth, TX
Ms. Barbara Mathes	Barbara Mathes Gallery New York, NY

Ms. Nancy McClelland	McClelland + Rachen New York, NY
Ms. Susan Menconi	Partner Menconi & Schoelkopf Fine Art New York, NY
Mr. Howard Rehs	Director Rehs Galleries, Inc. New York, NY
Mr. James L. Reinish	Principal James Reinish & Associates, Inc. New York, NY
Mr. Joseph Rishel	The Gisela and Dennis Alter Senior Curator of European Painting before 1900, and John G Johnson Collection Philadelphia Museum of Art Philadelphia, PA
Dr. Andrew Robison	Mellon Senior Curator of Prints and Drawings National Gallery of Art Washington, DC
Mr. Louis Stern	Louis Stern Fine Arts Inc. Los Angeles, CA
Dr. Scott Schaefer	Senior Curator of Paintings J. Paul Getty Museum Los Angeles, CA
Mr. David Tunick	President David Tunick, Inc. New York, NY

\*\* Resigned in August, 2013