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:

<table>
<thead>
<tr>
<th>Type</th>
<th>Date</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decorative Arts</td>
<td>December 5, 2012</td>
<td>New York, NY</td>
</tr>
<tr>
<td>Fine Arts</td>
<td>April 3, 2013</td>
<td>New York, NY</td>
</tr>
<tr>
<td>Decorative Arts</td>
<td>June 27, 2013</td>
<td>Washington, DC</td>
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</tbody>
</table>

**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**

<table>
<thead>
<tr>
<th>Panel Type</th>
<th># of items</th>
<th>Total T/P Claimed Value</th>
<th>Total Panel Recommended Value</th>
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<tbody>
<tr>
<td>Fine Art</td>
<td>238</td>
<td>$444,421,500</td>
<td>$447,515,623</td>
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<tr>
<td>Decorative Art</td>
<td>53</td>
<td>$3,867,000</td>
<td>$4,264,000</td>
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<tr>
<td>Total</td>
<td>291</td>
<td>$448,288,500</td>
<td>$451,779,623</td>
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<table>
<thead>
<tr>
<th>Type of Tax</th>
<th># of items adjusted</th>
<th>T/P Claimed Value</th>
<th>Type of Adjustment</th>
<th>Panel Recommended Value</th>
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<tr>
<td>Estate</td>
<td>40</td>
<td>$50,701,500</td>
<td>Increase</td>
<td>$80,246,423</td>
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<tr>
<td></td>
<td>25</td>
<td>$5,330,000</td>
<td>Decrease</td>
<td>$2,406,200</td>
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<tr>
<td>Gift</td>
<td>30</td>
<td>$76,890,000</td>
<td>Increase</td>
<td>$114,950,000</td>
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<td></td>
<td>16</td>
<td>$32,670,000</td>
<td>Decrease</td>
<td>$22,545,000</td>
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<tr>
<td>Charitable Cont.</td>
<td>11</td>
<td>$19,650,000</td>
<td>Increase</td>
<td>$24,550,000</td>
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<tr>
<td></td>
<td>42</td>
<td>$140,515,000</td>
<td>Decrease</td>
<td>$84,550,000</td>
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<tr>
<td>Totals</td>
<td>164</td>
<td>$325,756,500</td>
<td>Net Increase</td>
<td>$329,247,623</td>
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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