The Art Advisory Panel
Of the
Commissioner
Of
Internal Revenue

Annual Summary Report for
Fiscal Year 2014
(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 to support 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 IRS examining agent or appeals officer must refer the case to AAS for possible referral to the Panel, unless a specific exception exists. The AAS staff supports and coordinates 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. The Panel does not duplicate work performed in the IRS. 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, the type of tax, the tax consequences of any adjustments to the value, or who did the appraisal. To minimize the possibility that panelists recognize 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. If there is a conflict of interest with 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 AAS appraisers. After discussing each
item individually, the panel reaches consensus on its value. Panel discussions are lively and serious. Despite the different perspectives of dealers, museum curators, and scholars, substantial disagreements are rare. When disagreements happen, they generally result from insufficient information. In these cases, the panelists may recommend additional research, such as inspecting the property or consulting with additional experts, 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 2014, AAS adopted in full 90% 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 any 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 AAS 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 items such as paintings, sculpture, watercolors, prints, and drawings; and the Decorative Arts Panel, which reviews items such as antique furniture, decorative art, ceramics, textiles, carpets, and silver.

Meetings

The Panel generally meets once or twice a year in each subcommittee 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>Fine Arts</td>
<td>April 16, 2014</td>
<td>New York, NY</td>
</tr>
<tr>
<td>Fine Arts</td>
<td>September 11, 2014</td>
<td>Washington, DC</td>
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The Decorative Arts Panel did not meet in Fiscal Year 2014.

**Summary of Panel Recommendations**

During Fiscal Year 2014, the Panel reviewed 315 items with an aggregate taxpayer valuation of $250,800,500 on 54 taxpayer cases under examination. The average claimed value of a charitable contribution item was $634,000; the average claimed value for an estate and gift item was $799,341.

The Panel recommended accepting 38 percent and adjusting 62 percent of the appraisals it reviewed. On the adjusted items, the Panel recommended total net adjustments of $55,706,000 in estate and gift tax appraisals, a 23 percent increase. Net adjustments for charitable contributions totaled $2,077,000, a 55 percent reduction.

The Panel reconsidered seven items in three taxpayer cases originally valued at $13,235,000 by the taxpayers and $18,300,000 by the Panel. After reviewing the additional information, the Panel revised their recommendations to $17,300,000. The items from these three taxpayer cases are not included in the information above or that follows.

**Comprehensive Recommendations Report**

<table>
<thead>
<tr>
<th>Type of Tax</th>
<th>Number of items</th>
<th>T/P Claimed Value</th>
<th>Type of Adjustment</th>
<th>Panel Recommendation</th>
<th>Net Change (Panel less Claimed Value)</th>
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<tbody>
<tr>
<td>Estate</td>
<td>70</td>
<td>$32,275,000</td>
<td>No Change</td>
<td>$32,275,000</td>
<td>$0</td>
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<td></td>
<td>58</td>
<td>$36,257,000</td>
<td>Increase</td>
<td>$66,839,000</td>
<td>$30,582,000</td>
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<td></td>
<td>31</td>
<td>$18,207,000</td>
<td>Decrease</td>
<td>$10,308,500</td>
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<tr>
<td>Gift</td>
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<td>$42,935,000</td>
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<td>$0</td>
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<tr>
<td></td>
<td>49</td>
<td>$66,262,500</td>
<td>Increase</td>
<td>$113,730,000</td>
<td>$47,467,500</td>
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<td></td>
<td>51</td>
<td>$51,060,000</td>
<td>Decrease</td>
<td>$36,615,000</td>
<td>($14,445,000)</td>
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<tr>
<td>Charitable Contribution</td>
<td>6</td>
<td>$3,804,000</td>
<td>ALL</td>
<td>$1,727,000</td>
<td>($2,077,000)</td>
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<tr>
<td><strong>Totals</strong></td>
<td><strong>315</strong></td>
<td><strong>$250,800,500</strong></td>
<td></td>
<td><strong>$304,429,500</strong></td>
<td><strong>$53,629,000</strong></td>
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<tr>
<td>Items Adjusted</td>
<td><strong>194</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$53,629,000</strong></td>
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Art Advisory Panel of the
Commissioner of Internal Revenue
2014

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

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 January 2015  
** Changed employers and subsequently resigned in January 2015