



The Art Advisory Panel  
Of the  
Commissioner of  
Internal Revenue

Annual Summary Report  
For 2002  
(Closed Meeting Activity)

# **Annual Summary Report For 2002 (Closed Meeting Activity)**

## **The Art Advisory Panel of the Commissioner of Internal Revenue**

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Three closed meetings of the Commissioner's Art Advisory Panel were held in 2002: Paintings and Sculpture on April 11 and September 25; and Decorative Arts and Antiques on December 19. All meetings were closed to the public by determination of the Commissioner that the substantive discussions and records of the Panel dealt with the value of works of art involved in a federal tax return and were thus concerned with matters listed in sections 552b(c)(3), (4), (6), and (7) of Title 5 of the United States Code. Consequently, the meetings at which such matters are discussed and the records of such meetings should not be open to the public. This is necessary to protect the confidentiality of tax returns under section 6103 of Title 26 of the United States Code.

The Art Advisory Panel assists the Internal Revenue Service by reviewing and evaluating the acceptability of property appraisals submitted by taxpayers in support of fair market value claims on works of art involved in Federal Income, Estate and Gift taxes in accordance with the Internal Revenue Code.

All taxpayer cases selected for audit which include art work or cultural property with a claimed value of \$20,000 or more must be referred to Art Appraisal Services for review by the Commissioner's Art Advisory Panel. Art Appraisal Services provides the staff support and coordination of the Art Panel and reviews appraisals of taxpayer cases on art works not referred to the Panel.

The Panel meets in Washington, DC usually once or twice a year in each specialty area. Approximately 250-300 items are reviewed at each one-day meeting. Prior to the meetings, the staff appraisers send photographs and written materials to the Panelists concerning the works of art to be reviewed. The written materials include information from the taxpayer's appraisal, such as size, medium, physical condition and provenance, as well as the staff's own market research, including information on public and private sales of relevant art work. Sometimes, one or more of the Panelists or staff will have seen the property and may have additional information to provide during the meeting.

Steps are taken to ensure the objectivity of the Panel. The Panelists are not told of the tax consequences, i.e., whether an item is a charitable contribution or from an estate. Also, to minimize recognition by the Panelists of a taxpayer's entire collection, the art works are discussed in alphabetical order by artist or, in the case of nonwestern art, by culture.

At the meetings, the taxpayer's appraisal and any other supporting evidence provided, along with the research and findings of both the Panelists and staff appraisers, are reviewed. After discussing each item individually, a consensus is reached on each item. Panel discussions are lively, but serious, and in spite of the different perspectives of dealers, auction house experts and museum curators, disagreements are rare. When disagreements do occur, they generally result from insufficient information. In these cases, the Panelists will indicate that additional research, such as inspection of the property or consultation with additional experts, is necessary before a decision can be made. Once the additional work is completed, the item is brought up for review at a subsequent meeting. 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 the room.

The Panel's conclusions are reviewed by the office of Art Appraisal Services and recommendations of fair market value are sent to the requesting IRS office. To assist the taxpayer's understanding of the Art Advisory Panel's conclusions, a report detailing its determination, together with a list of the participating Panelists, is prepared and a copy is given to the taxpayer.

Taxpayers may request reconsideration of an adjusted claimed value only if they provide additional information or new probative evidence. Such information, if deemed substantive by the staff, is submitted to the Panel for reconsideration at a subsequent meeting.

The determinations of the Art Advisory Panel become the position of the Internal Revenue Service. If agreement is not reached at the Examination level, the office of Art Appraisal Services and the Art Advisory Panel will provide assistance to Appeals and District Counsel. This assistance includes participating in taxpayer conferences, preparing expert reports and securing expert witnesses, including members of the Panel and other outside experts.

Incorporated for the purposes of this annual report is the summary meeting report prepared by the designated committee manager. This report identifies the dates of the meetings, summarizes the statistics on appraisal reviews of estate and gift returns and charitable contribution deductions, and lists names of attending Panelists and Internal Revenue Service officials.

# Summary of 2002 Panel Reviews

Three closed meetings of the Commissioner's Art Advisory Panel were held in 2002: Paintings and Sculpture on April 11 and September 25; and Decorative Arts and Antiques on December 19. The meetings were chaired by Ms. Karen E. Carolan, Manager of Art Appraisal Services, Appeals, Internal Revenue Service, Washington, DC.

The Panel reviewed 469 items with an aggregate taxpayer valuation of \$100,383,338 on 90 taxpayer cases under consideration. The claimed value of the average charitable contribution item was \$6,358,750 and the average estate and gift item was \$160,833. The Panel recommended total adjustments of \$46,932,647 on the reviews now concluded for these meetings. On the adjusted items, the Panel recommended adjustments amounting to a 60 percent reduction on the overvalued items in charitable contribution claims and an 88 percent increase on the undervalued items in estate and gift appraisals.

The Panel recommended acceptance of 45 percent of the appraisals reviewed. Adjustments were recommended on 54 percent of the reviewed appraisals. One percent of the appraisals reviewed by the Panel required additional staff development before a value decision could be made. Included were cases in which taxpayers' requested Statements of Value under Revenue Procedure 96-15.

The Panel reconsidered 3 charitable contributions items in 3 taxpayer cases originally valued at \$10,425,000 by the taxpayers and \$5,240,000 by the Panel. After reviewing the additional information the Panel recommended \$5,325,000 on these items. The Panel also reconsidered 17 estate items in 7 taxpayer cases originally valued at \$9,550,000 by the taxpayers and \$16,650,000 by the Panel. After reviewing the additional information and the revised taxpayer value of \$9,300,000 the Panel recommended \$15,400,000 on these items. The Panel also reviewed items on other tax related issues.

In addition to the Panel items, 18 additional taxpayer cases with a claimed value of \$6,440,786 involving numerous items were reviewed by Art Appraisal Services appraisers. The cases consisted of 5 estate cases with claimed values of \$2,954,100 and 13 charitable contribution cases with claimed values of \$3,486,686. These cases involved the valuation of various objects, such as art of Africa and the Americas, Far Eastern and Asian art, prints, furniture, photographs, decorative arts, antiquities, musical instruments, religious artifacts, and historical properties. Nine cases were accepted. Adjustments of \$2,212,605 were recommended on the remaining cases.

To date the following responses have been received on the disposition of the cases reviewed by the Art Advisory Panel between 1998-2001:

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Percentage of Responses Received on Cases Reviewed	46%	34%	19%	15%
Percentage of Responses Agreed at Exam/Appeals	95%	94%	79%	100%

Attached is the statistical breakdown of the cases reviewed by the Art Panel in 2002 by tax consequences as well as a list of the Panel members and other attendees.

Karen E. Carolan  
Chair  
Commissioner's Art Advisory Panel

# Estate & Gift (Total)

	<b>Number</b>			<b>Value</b>
Cases	86			
Panel Reviewed Items	465	Total Taxpayer Claimed		\$74,948,338
Average Value	\$160,833			
Items Requiring Further Staff Development (1%)	6	Claimed On Development Items	\$	187,500

## Reviews Concluded

Items (99%)	459	Total Taxpayer Claimed		\$74,760,838
		Total Panel Recommended		\$92,530,885
		<b>Taxpayer Claim</b>	<b>Panel Value</b>	<b>Adjustment</b>
Number Accepted	210 (45%)	\$26,506,750		
Number Adjusted	249 (54%)			(+88%)
Adjusted +	158 (34%)	\$28,067,388	\$52,868,735	\$24,801,347
Adjusted -	91 (20%)	\$20,186,700	\$13,155,400	\$ 7,031,300
		Total Panel Recommended Adjustments		\$31,832,647
		Net Panel Adjustments		\$17,770,047

**Cases Considered by the Commissioner=s Art Advisory Panel**

**2002**

# Charitable Contributions (Total)

	<b>Number</b>		<b>Value</b>
Cases	4		
Panel Reviewed Items	4	Total Taxpayer Claimed	\$25,435,000
Average Value \$6,358,750			
Items Requiring Further Staff Development	0	Claimed On Development Items	0

## Reviews Concluded

Items	4	Total Taxpayer Claimed	\$25,435,000
		Total Panel Recommended	\$10,335,000
		<b>Taxpayer Claim</b>	<b>Panel Value</b>
Number Accepted	1 (25%)	\$250,000	
Number Adjusted	3 (75%)		
Adjusted +			
Adjusted -	3 (75%)	\$25,185,000	\$10,085,000
			\$15,100,000 (-60%)
		Total Panel Recommended Adjustments	\$15,100,000

## Cases Considered by the Commissioner=s Art Advisory Panel

**2002**

# Art Advisory Panel of the Commissioner of Internal Revenue 2002

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Ms. Stephanie Barron	Senior Curator Twentieth Century Art Los Angeles County Museum of Art Los Angeles, CA
Mr. Douglas Baxter	President PaceWildenstein New York, NY
Mr. William Beadleston	President William Beadleston, Inc. New York, NY
Dr. Neal Benezra	Director San Francisco Museum of Modern Art San Francisco, CA
Dr. Edgar Peters Bowron	Audrey Jones Beck Curator of European Art Museum of Fine Arts Houston, TX
Mr. Jay Cantor	Director The Cassatt Project New York, NY
Mr. Leon Dalva	Dalva Brothers, Inc. New York, NY
Mr. Michael Findlay	Director Acquavella Galleries, Inc.



	New York, NY
Mr. Brock Jobe	Professor of American Decorative Arts Winterthur Museum, Garden & Library Winterthur, DE
Mr. Christian Jussel	Senior Vice-President Sotheby=s, Inc. New York, NY
Mr. Leigh Keno	Leigh Keno American Antiques New York, NY
Ms. Barbara Mathes	Barbara Mathes Gallery New York, NY
Ms. Nancy McClelland	McClelland + Rachen New York, NY
Mr. James L. Reinish	Martha Parrish & James Reinish, Inc. New York, NY
Mr. Joseph Rishel	Curator European Painting before 1900 & John G. Johnson Collection Philadelphia Museum of Art Philadelphia, PA
Dr. Andrew Robison	Mellon Senior Curator National Gallery of Art Washington, DC
Dr. Charles Stuckey	Faculty School of the Art Institute of Chicago Chicago, IL
Mr. David Tunick	David Tunick, Inc. New York, NY
Ms. Gillian Wilson	Curator of Decorative Arts J. Paul Getty Museum Los Angeles, CA

# Internal Revenue Service Attendees

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Mr. David B. Robison  
National Chief, Appeals

Ms. Karen E. Carolan  
Chief, Art Appraisal Services  
Chair, Art Advisory Panel

Mr. Joseph E. Bothwell  
Appraiser

Mr. Wiley C. Grant  
Appraiser

Ms. Carolee G. Kennedy  
Appraiser

Ms. Barbara Read-Staub  
Appraiser