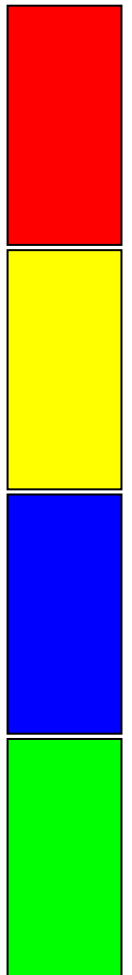


**The Art Advisory Panel  
of the  
Commissioner  
of  
Internal Revenue**

**Annual Summary Report  
for 2007  
(Closed Meeting  
Activity)**



# **Annual Summary Report For 2007 (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 2007: Paintings and Sculpture on March 27 -28 and September 26 - 27; and Decorative Arts and Antiques on November 15. 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 decorative art, by object type.

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 Area 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 2007 Reviews

Three closed meetings of the Commissioner's Art Advisory Panel were held in 2007: Paintings and Sculpture on March 27 -28 and September 26-27; and Decorative Arts and Antiques on December 6. The meetings were chaired by Ms. Karen E. Carolan, Chief of Art Appraisal Services, Appeals, Internal Revenue Service, Washington, DC.

## Art Advisory Panel Summary

The Panel reviewed 1002 items with an aggregate taxpayer valuation of \$278,939,299 on 131 taxpayer cases under consideration. The claimed value of the average charitable contribution item was \$262,441 and the average estate and gift item was \$280,464. The Panel recommended total adjustments of \$94,521,603 on the reviews now concluded for these meetings. On the adjusted items, the Panel recommended adjustments amounting to a 47 percent reduction on the overvalued items in charitable contribution claims and a 58 percent increase on the undervalued items in estate and gift appraisals.

The Panel recommended acceptance of 36 percent of the appraisals reviewed. Adjustments were recommended on 61 percent of the reviewed appraisals. Three percent of the appraisals reviewed by the Panel required additional staff development before a value decision could be made. Included was a request for a Statement of Value under Revenue Procedure 96-15.

The Panel reconsidered 175 estate items in 13 taxpayer cases originally valued at \$70,867,000 by the taxpayers and \$107,668,460 by the Panel. After reviewing the additional information and the revised taxpayer value of \$71,662,000, the Panel recommended \$105,861,460 on these items. These items and the revised values are included in the estate and gift totals.

The Panel also reviewed two large single artist collections comprising 10,510 items valued at \$7,398,850 for estate tax purposes. The Panel concluded the claimed values were supportable on these items. These figures have not been included in the estate statistical breakdown on page 6 due to the large number of items and their low average value.

## Art Appraisal Services Appraisers Summary

Twenty-one of the Panel cases had additional lower valued items (typically items with claimed values below \$20,000) or items outside of the Panel's areas of expertise with a claimed value of \$4,066,790 which were reviewed by Art Appraisal Services

appraisers. Adjustments of \$7,339,435 were recommended on these items. In addition, 56 taxpayer cases, some with technical tax related issues, were reviewed by Art Appraisal Services appraisers. These cases consisted of 35 estate cases with claimed values of \$24,600,870 and 21 charitable contribution cases with claimed values of \$52,231,835. The cases involved the valuation of various objects, such as art of Africa and the Americas, Far Eastern and Asian art, prints, photographs, antique automobiles, furniture, musical instruments, silver, ceramics, carpets, antiquities, and historical properties. Twenty six cases were accepted. Adjustments of \$38,218,129 were recommended on the remaining cases.

Case Follow-up Results

Art Appraisal Services has a case tracking form to monitor the disposition of cases by Examination, Appeals and Counsel which have been referred to the Commissioner’s Art Advisory Panel and this office. To date the following responses have been received on the disposition of the cases reviewed by the Art Advisory Panel between 2004-2007:

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Percentage of Responses Received on Cases Reviewed	20%	36%	56%	21%
Percentage of Responses Agreed at Exam/Appeals	96%	97%	92%	94%

Attached is the statistical breakdown of the cases reviewed by the Art Panel in 2007 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	120		
Panel Reviewed Items	885 <sup>1</sup>	Total Taxpayer Claimed	\$248,210,299
Average Value	\$280,464		
Items Requiring Further Staff Development (2%)	22	Claimed On Development Items	\$ 1,866,000

### Reviews Concluded

Items (98%)	863	Total Taxpayer Claimed	\$246,344,000
		Total Panel Recommended	\$325,789,802
		<b>Taxpayer Claim</b>	<b>Panel Value</b>
Number Accepted	310(35%)	\$96,848,169	\$96,848,169
Number Adjusted	553 (63%)		(+58%)
Adjusted +	494 (56%)	\$141,528,230	\$223,799,033
Adjusted -	59 ( 7%)	\$7,967,900	\$ 5,142,600
		Total Panel Recommended Adjustments	\$85,096,103
		Net Panel Adjustments	\$79,445,503

### Cases Considered by the Commissioner's Art Advisory Panel 2007

<sup>1</sup> These figures do not include two large collections comprising 10,510 items valued at \$7,398,850 (average value \$703) which were determined to be supportable. See page 4 for details.

# Charitable Contributions (Total)

	<b>Number</b>		<b>Value</b>
Cases	11		
Panel Reviewed Items	117	Total Taxpayer Claimed	\$30,729,000
Average Value \$262,641			
Items Requiring Further Staff Development (2%)	2	Claimed On Development Items	\$ 4,050,000

## Reviews Concluded

Items (98%)	115	Total Taxpayer Claimed	\$26,679,000	
		Total Panel Recommended	\$19,753,500	
		<b>Taxpayer Claim</b>	<b>Panel Value</b>	<b>Adjustment</b>
Number Accepted	54 (46%)	\$7,665,000	\$7,665,000	
Number Adjusted	61 (52%)			
Adjusted +	18 (15%)	\$ 1,600,000	\$2,850,000	\$1,250,000
Adjusted -	43 (37%)	\$17,414,000	\$9,238,500	\$8,175,500
				(-47%)
		Total Panel Recommended Adjustments		\$9,425,500
		Net Panel Adjustments		\$6,925,500

## Cases Considered by the Commissioner's Art Advisory Panel 2007

# Art Advisory Panel of the Commissioner of Internal Revenue 2007

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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
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	Deputy Director Winterthur Museum Winterthur, DE
Mr. Christian Jussel	Consultant Bedford, NY



Mr. Ian Kennedy	Curator of European Paintings & Sculpture to 1900 The Nelson-Atkins Museum of Art Kansas City, MO
Mr. Leigh Keno	Leigh Keno American Antiques 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
Ms. Lucy Mitchell-Innes	President Mitchell-Innes & Nash, Inc. 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
Ms. Ann Temkin *	Curator, Department of Paintings And Sculpture Museum of Modern Art New York, NY
*Retired in 2007 Mr. David Tunick	David Tunick, Inc. New York, NY

Ms. Gillian Wilson

Curator of Decorative Arts (retired)  
J. Paul Getty Museum  
Los Angeles, CA

# Internal Revenue Service Attendees

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Ms. Karen S. Ammons  
Deputy, Chief Appeals

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

Mr. Joseph E. Bothwell  
Appraiser

Ms. Mildred W. Chisholm  
Staff Assistant

Ms. Carolee G. Kennedy  
Appraiser

Ms. Janet S. Moffitt  
Appraiser

Ms. Barbara C.L. Read  
Appraiser

Ms. Gretchen E. Wolf  
Appraiser