ART AND COLLECTIBLES

KNOW YOUR OPTIONS

UNLOCK THE TAX BENEFITS OF GIVING YOUR ART, JEWELRY AND COLLECTIONS TO CHARITY

Making gifts of assets rather than income is a tax-efficient way for donors to meet charitable goals.

Rather than sell your artwork, jewelry or collection, consider donating it to The Chicago Community Trust to support the Trust or other charities you care about.

DETERMINING WHICH PIECES MAKE THE BEST GIFTS

When selecting which pieces of art, jewelry or collectibles to donate, you might wish to consider the following:

- Am I the artist, the dealer or the collector?
- How did I acquire the object?
- How long have I held the object?
- Is there a market for the object?
- Will I be able to obtain and pay for an appraisal?
- Will I need any of the income from the object's sale?
- What costs might be incurred for storing the object?

Most donors are considered collectors and therefore the artwork or object is considered a capital asset. By donating it rather than selling it on the open market, you may not need to pay capital gains taxes when the Trust sells it and may be eligible for an immediate income tax deduction.

As with other illiquid assets, we accept gifts of art, jewelry, and collectibles on a case-by-case basis. Some of the factors we consider include the value and marketability of the piece and storage and maintenance costs. After the property has been accepted, donors assign the object to the Trust and deliver it to us or our agent. The Trust must take possession for the gift to be considered complete. Our policy is to sell all gifts as soon as possible.

KEY TAKEAWAYS

- CONVERT UNUSED ASSETS into gifts for charity
- ELIMINATE CAPITAL GAINS TAX in most cases
- QUALIFIED APPRAISALS are almost always needed
ADDITIONAL CONSIDERATIONS

When you are thinking about making a charitable gift of art or collectibles it helps to have a discussion with a trusted advisor — including the Gift Planning team at the Trust — about motivations, goals and the complexities that may arise with making such a gift.

Donors who wish to make a charitable gift of art or collectibles may want to consider the following:

• **An independent art advisor** can be an excellent resource for gifts of art. They help donors determine the market for a particular work and lead donors to appraisers and other services the donor or charity may need.

• **A donor’s tax advisor** plays a critical role when making these gifts. For example, a donor’s advisor may help the donor determine whether to make the gift during their lifetime or through their estate. Estate gifts often are the better choice for donors using art or objects to fund a donor advised fund. The team at the Trust is happy to partner with advisors and their clients to find the best solutions.

• **The IRS requires a qualified appraisal** completed by a qualified appraiser for gifts of art, jewelry or collectibles in excess of $5,000. In addition, artwork valued at $50,000 or more must be referred to IRS’s Art Appraisal Services for possible review by the IRS Commissioner’s Art Advisory Panel — another reason to partner with experts when making this type of gift.

• **Start the conversation now.** If you plan to make a charitable gift of art to the Trust or another charity, it is best to start the conversation as early as possible so that expectations and outcomes are clear.

The team at the Trust is happy to partner with you and your advisor for gifts of art, jewelry and collections. While your advisors can provide you with the best tax advice for your situation, the experts at the Trust can help you achieve the charitable impact you seek.

EXAMPLE

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For over 30 years, Robert and Celia have owned a Picasso drawing that they now would like to convert into a charitable fund. The drawing is appraised in the low-to mid-six figures and is donated to the Trust. The Trust sells the drawing at auction, and the proceeds from the sale are added to a new donor advised fund created by Robert and Celia. The new DAF will support many arts and cultural institutions in the Chicago region.

Your advisors are welcome to join you in a no-obligation conversation with us. Let the Trust assist you in crafting your philanthropic legacy.

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