

WHY SO MANY VALUES FOR ONE ANTIQUE?

by Francine Proulx

On the *Antiques Roadshow* you hear reference to fair market, auction, retail, and insurance values. What do they mean?

Fair Market Value is defined by the Internal Revenue Service as "...the price property would sell for on the open market...between a willing seller and willing buyer with neither required to act, and both having reasonable knowledge of the relevant facts." (See IRS Publication 561). It assumes the sale is made to the ultimate consumer or end user in the most appropriate marketplace.

IRS further states "(t)here is no simple formula that always applies..." Purchase price may not be the major determinant of fair market value. The appropriate market level for the item's "highest and best use" is also important in determining this value.

Fair Market Value is used for asset management, estate planning, estate tax, division of property, charitable donation and informational purposes. Do not assume that a *Roadshow* value is "fair market" just because the value type is not identified

Replacement Value comes in three types with "Replacement Value-Comparable" the most often used for antiques' appraisal for insurance. This value will usually be higher than Fair Market Value and is the cost it would take to replace an item of the same quality, size, condition, age, etc. within a reasonable amount of time. This is normally what is meant when antique experts refer to "insurance value."

Replacement Value-New and Replacement Value-Reproduction are used for unique items. The first duplicates the item in quality and utility with modern materials. The second is the cost to make an *exact* reproduction using the same kinds of tools and materials as the antique. One area where these kinds of value are used is in jewelry appraisals.

Liquidation Value is either "forced" or "orderly." The former is the amount an item sells for if it must be sold immediately. The latter allows time to advertise. These are used for bankruptcy,

"going out of business sales" and estate sales and are lower than the above values.

After determining the appropriate kind of value needed, the appraiser must then determine at which market level to consider the value – retail or auction.

Retail Market itself has different levels from K-Mart to Tiffany's. A pair of diamond earrings purchased at K-Mart's are going to have a different Fair Market Value than similar pair bought at Tiffany's.

Auction Market also has different levels. Sotheby's and Christie's are major or first tier auction houses. Regional auction houses which draw buyers and sellers from outside the immediate community are second tier followed by local auctions.

The auction audience is made up of dealers who bid at the wholesale level; individuals (the ultimate consumer) who pay just above wholesale (because they've outbid the dealer); and the collector who may outbid everyone because they'll pay whatever it takes to get the object.

So, the use of the value determines the type needed. The origin and where it is most often sold determine the market level. In addition to evaluating the object itself, the appraiser must resolve these issues, not always self evident, before looking at comparable sales to formulate the actual dollar value of the item being appraised.

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