

# WHEN WRITTEN APPRAISALS ARE NEEDED...

by Francine Proulx

While written appraisals are not always needed, there are times when they are not only helpful but necessary. Three specific examples are estate planning, taking a tax deduction for a charitable donation, and insurance.

**Estate Planning:** As hard as it is to admit that this life is not eternal, it is sometimes harder to imagine how others will divide our property. Estate planning is not only a gift to others, but, more importantly, gives *you control* over your sunset years *and* the life of your possessions. One aspect of planning is to determine dollar values of your major possessions such as furniture, porcelain, china and other decorative objects.

Written appraisals give you information – which is *power* -- and gives you *control* – in making educated decisions when the time comes to downsize. You remember what you paid for it 30-40 years ago, but what is it worth today?

Having current valuations could make a significant difference at a critical point when time is of the essence. In other words, don't wait until you need the information, since appraisals can take 3-6 weeks to complete.

Unless you have a house full of antiques, not everything is worth appraising in writing. A qualified appraiser can help you decide which items should be appraised. An hour's worth of professional consulting may be all you need, but do remember that there is an hourly fee for the consultant's time and expertise. A written appraisal may cost you as little as \$350 or several thousand dollars depending on the time or number of objects involved.

**Tax Deduction:** IRS requires written appraisals for *donated* items when that deduction exceeds \$5,000. This could be a single item or several items within a generic category. The items may have been donated to one or several different people and/or organizations. Hence, if the total donation value adds up to more than \$5,000, a formal written appraisal must be done *prior* to the donation.

The appraiser must not have been previously disqualified by IRS in order for the appraisal to be *initially* acceptable subject to its content review. This is an important question to ask when

selecting an appraiser of items for charitable donations. For more information on rules and regulations for these types of deductions, see IRS Publications 526 and 561.

**Insurance:** Insurance companies require formal written appraisals for items such as jewelry and original art *and* when objects are valued above a certain amount. Unless it is scheduled on your homeowner's policy, a personal property policy or the like, it is possible that you will not be reimbursed for the current value when a claim is made.

It is recommended that insurance appraisals be updated every three years. When using the same appraiser, updating is far less expensive than the original appraisal cost. The object's condition will be re-inspected and the marketplace will be researched for current values. Remember, insurance companies reimburse on the amount insured, not the current value, *unless* your appraisal has been updated and re-submitted.

In all the above cases, appraisal reports are legal documents. This means that appraisers have an obligation to perform "due diligence" when appraising an object. *They are responsible for the content of their reports in a court of law for a minimum of five years*, and longer if there is litigation. This is one reason why an appraiser's time and expertise does not come inexpensively.

Fra Francine Proulx is an independent personal property appraiser. She holds certificates in Appraisal Studies and Connoisseurship in Fine and Decorative Arts from GWU. She is affiliated with Quinn's Auction Galleries. Francine can be reached at 703-395-7015.