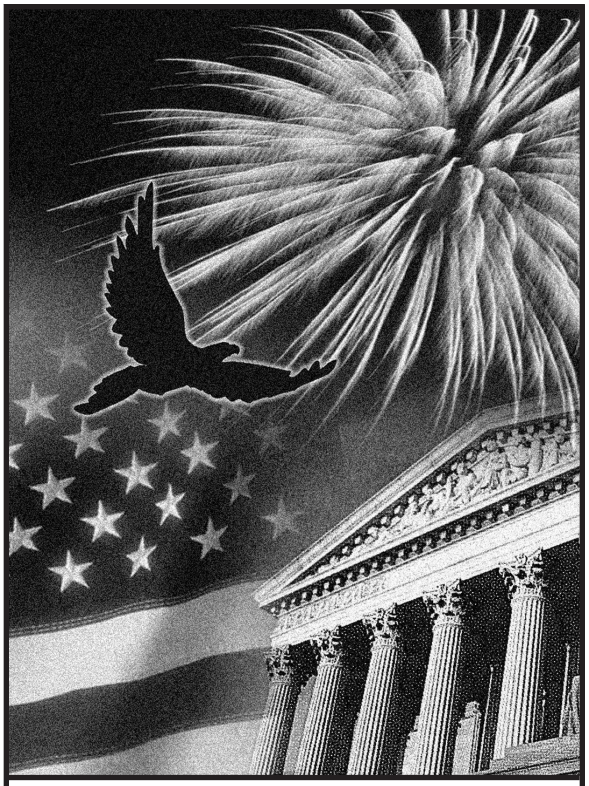
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Determining the Value of Donated Property



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Future Developments

For the latest information about developments related to Pub. 561, such as legislation enacted after it was published, go to *IRS.gov/Pub561*.

Introduction

This publication is designed to help donors and appraisers determine the value of property (other than cash) that is given to qualified organizations. It also explains what kind of information you must have to support the charitable contribution deduction you claim on your return.

This publication does not discuss how to figure the amount of your deduction for charitable contributions or written records and substantiation required. See Pub. 526, Charitable Contributions, for this information.

Comments and suggestions. We welcome your comments about this publication and suggestions for future editions.

You can send us comments through *IRS.gov/FormComments*. Or, you can write to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Although we can't respond individually to each comment received, we do appreciate your feedback and will consider your comments and suggestions as we revise our tax forms, instructions, and publications. **Don't** send tax questions, tax returns, or payments to the above address.

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Useful Items

You may want to see:

Publication

- ❑ **526** Charitable Contributions

Forms (and Instructions)

- ❑ **8282** Donee Information Return
- ❑ **8283** Noncash Charitable Contributions
- ❑ **8283-V** Payment Voucher for Filing Fee Under Section 170(f)(13)

See *How To Get Tax Help* near the end of this publication for information about getting these publications and forms.

What Is Fair Market Value (FMV)?

To figure how much you may deduct for property that you contribute, you must first determine its FMV on the date of the contribution. This publication focuses the valuation of noncash property being contributed after January 1, 2019, to a charity that qualifies under section 170(c) for an income tax charitable contribution deduction.

FMV. FMV is the price that property would sell for on the open market. It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts. In addition to this general rule, there are special rules used to value certain types of property such as remainder interests, annuities, interests for life or for a term of years, and reversions, discussed below.

Example 1. If you give an item of used clothing that is in good used condition or better to the Salvation Army, the FMV would be the price that typical buyers actually pay for clothing of this age, condition, style, and use. Usually, such items are worth far less than what you paid for them.

Example 2. If you donate land and restrict its use to agricultural purposes, you must value the land at its value for agricultural purposes, even if it would have a higher FMV if it were not restricted.

Factors. In making and supporting the valuation of property, all factors affecting value are relevant and must be considered. These include, but are not limited to:

- The cost or selling price of the item,
- Sales of comparable properties,
- Replacement cost, and
- Opinions of experts.

These factors are discussed later. Also, see *Table 1* for a summary of questions to ask as you consider each factor.

Date of contribution. Ordinarily, the date of a contribution is the date on which the property is delivered to the charity, provided you do not retain any right to or interest in the property that would limit the charity's use of the property.

Stock. If you deliver, without any conditions, a properly endorsed stock certificate to a qualified organization or to an agent of the organization, the date of the contribution is the date of delivery. If the certificate is mailed and received through the regular mail, it is the date of mailing. If you deliver the certificate to a bank or broker acting as your agent or to the issuing corporation or its agent, for transfer into the name of the organization, the date of the contribution is the date the stock is transferred on the books of the corporation.

Options. If you grant an option to a qualified organization to buy real property, you have not made a charitable contribution until the organization exercises the option. The amount of the contribution is the FMV of the property on the date the option is exercised minus the exercise price.

Example. You grant an option to a local university, which is a qualified organization, to buy real property. Under the option, the university could buy the property at any time during a 2-year period for $40,000. The FMV of the property on the date the option is granted is $50,000.

In the following tax year, the university exercises the option. The FMV of the property on the date the option is exercised is $55,000. Therefore, you have made a charitable contribution of $15,000 ($55,000, the FMV, minus $40,000, the exercise price) in the tax year the option is exercised.

Determining FMV

Determining the value of donated property would be a simple matter if you could rely only on fixed formulas, rules, or methods. Usually, it is not that simple. Using such formulas, etc., seldom results in an acceptable determination of FMV. There is no single formula that always applies when determining the value of property.

This is not to say that a valuation is only guesswork. You must consider all the facts and circumstances connected with the property, such as its desirability, use, and scarcity.

For example, donated furniture that is in good used condition or better should not be evaluated at some fixed rate such as 15% of the cost of new replacement furniture. When the furniture is contributed, it may be out of style or in poor condition, therefore having little or no market value. On the other hand, it may be a desirable antique, the value of which could not be determined by using any formula.

Cost or Selling Price of the Donated Property

The cost of the property to you or the actual selling price received by the qualified organization may be the best indication of its FMV. However, because conditions in the market change, the cost or selling price of property may have less weight if the property was not bought or sold at a time that is reasonably close to the date of contribution.

The cost or selling price is a good indication of the property's value if:

- The purchase or sale took place close to the valuation date in an open market,
- The purchase or sale was at "arm's-length,"
- The buyer and seller knew all relevant facts,
- The buyer and seller did not have to act, and
- The market did not change between the date of purchase or sale and the valuation date.

Example. Bailey Morgan, who is not a dealer in gems, bought an assortment of gems for $5,000 from a promoter. The promoter claimed that the price was "wholesale" even though this dealer and other dealers made similar sales at similar prices to other persons who were not dealers. The promoter said that if Bailey kept the gems for more than 1 year and then gave them to charity, Bailey could claim a charitable deduction of $15,000, which, according to the promoter, would be the value of the gems at the time of contribution. Bailey gave the gems to a qualified charity 13 months after buying them.

The selling price for these gems had not changed from the date of purchase to the date Bailey donated them to charity. The best evidence of FMV depends on actual transactions and not on some artificial estimate. The $5,000 charged Bailey and others is, therefore, the best evidence of the maximum FMV of the gems.

Terms of the purchase or sale. The terms of the purchase or sale should be considered in determining FMV if they influenced the price. These terms include any restrictions, understandings, or covenants limiting the use or disposition of the property.

Rate of increase or decrease in value. Unless you can show that there were unusual circumstances, it is assumed that the increase or decrease in the value of your donated property from your cost has been at a reasonable rate. For time adjustments, an appraiser may consider published price indexes for information on general price trends, building costs, commodity costs, securities, and works of art sold at auction in arm's-length sales.

Example. Corey Brown bought a painting for $10,000. Thirteen months later, Corey gave it to an art museum, claiming a charitable deduction of $15,000 on their tax return. The appraisal of the painting should include information showing that there were unusual circumstances that justify a 50% increase in value for the 13 months Corey held the property.

Arm's-length offer. An arm's-length offer to buy the property close to the valuation date may help to prove its value if the person making the offer was willing and able to complete the transaction. To rely on an offer, you should be able

Table 1. **Factors That Affect FMV**

IF the factor you are considering is...	THEN you should ask these questions...
cost or selling price	Was the purchase or sale of the property reasonably close to the date of contribution? Was any increase or decrease in value, as compared to your cost, at a reasonable rate? Do the terms of purchase or sale limit what can be done with the property? Was there an arm's-length offer to buy the property close to the valuation date?
sales of comparable properties	How similar is the property sold to the property donated? How close is the date of sale to the valuation date? Was the sale at arm's-length? What was the condition of the market at the time of sale?
replacement cost	What would it cost to replace the donated property? Is there a reasonable relationship between replacement cost and FMV? Is the supply of the donated property more or less than the demand for it?
opinions of experts	Is the expert knowledgeable and competent? Is the opinion thorough and supported by facts and experience?

to show proof of the offer and the specific amount to be paid. Offers to buy property other than the donated item will help to determine value if the other property is reasonably similar to the donated property.

Sales of Comparable Properties

The sales prices of properties similar to the donated property are often important in determining the FMV. The weight to be given to each sale depends on the following.

- The degree of similarity between the property sold and the donated property.
- The time of the sale—whether it was close to the valuation date.
- The circumstances of the sale—whether it was at arm's-length with a knowledgeable buyer and seller, with neither having to act.
- The conditions of the market in which the sale was made—whether unusually inflated or deflated.

The comparable sales method of valuing real estate is explained later under *Valuation of Various Kinds of Property*.

Example 1. Quinn Black, who is not a book dealer, paid a promoter $10,000 for 500 copies of a single edition of a modern translation of a religious book. The promoter had claimed that the price was considerably less than the "retail" price and gave Quinn a statement that the books had a total retail value of $30,000. The promoter advised that if Quinn kept the books for more than 1 year and then gave them to a qualified organization, Quinn could claim a charitable deduction for the "retail" price of $30,000. Thirteen months later, all the books were given to a house of worship from a list provided by the promoter. At the time of the donation, wholesale dealers were selling similar quantities of books to the general public for $10,000.

The FMV of the books is $10,000, the price at which similar quantities of books were being sold to others at the time of the contribution.

Example 2. The facts are the same as in *Example 1*, except that the promoter gave Quinn Black a second option. The promoter said that if Quinn wanted a charitable deduction within 1 year of the purchase, Quinn could buy the 500 books at the "retail" price of $30,000, paying only $10,000 in cash and giving a promissory note for the remaining $20,000. The principal and interest on the note would not be due for 12 years. According to the promoter, Quinn could then, within 1 year of the purchase, give the books to a qualified organization and claim the full $30,000 retail price as a charitable contribution. Quinn purchased the books under the second option and, 3 months later, gave them to a house of worship, which will use the books for religious purposes.

At the time of the gift, the promoter was selling similar lots of books for either $10,000 or $30,000. The difference between the two prices was solely at the discretion of the buyer. The promoter was a willing seller for $10,000. Therefore, the value of Quinn's contribution of the books is $10,000, the amount at which similar lots of books could be purchased from the promoter by members of the general public.

Replacement Cost

The cost of buying, building, or manufacturing property similar to the donated item should be considered in determining FMV. However, there must be a reasonable relationship between the replacement cost and the FMV.

The replacement cost is the amount it would cost to replace the donated item on the valuation date. Often, there is no relationship between the replacement cost and the FMV. If the supply of the donated property is more or less than the demand for it, the replacement cost becomes less important.

To determine the replacement cost of the donated property, find the "estimated replacement cost new." Then subtract from this figure an amount for depreciation due to the physical condition and obsolescence of the donated property. You should be able to show the relationship between the depreciated replacement cost and the FMV, as well as how you arrived at the "estimated replacement cost new."

Opinions of Experts

Generally, the weight given to an expert's opinion on matters such as the authenticity of a coin or a work of art, or the most profitable and best use of a piece of real estate, depends on the knowledge and competence of the expert and the thoroughness with which the opinion is supported by experience and facts. For an expert's opinion to deserve much weight, the facts must support the opinion. For additional information, see *Appraisals*, later.

Problems in Determining FMV

There are a number of problems in determining the FMV of donated property.

Unusual Market Conditions

The sale price of the property itself in an arm's-length transaction in an open market is often the best evidence of its value. When you rely on sales of comparable property, the sales must have been made in an open market. If those sales were made in a market that was artificially supported or stimulated so as not to be truly representative, the prices at which the sales were made will not indicate the FMV.

For example, liquidation sale prices usually do not indicate the FMV. Also, sales of stock under unusual circumstances, such as sales of small lots, forced sales, and sales in a restricted market, may not represent the FMV.

Selection of Comparable Sales

Using sales of comparable property is an important method for determining the FMV of donated property. However, the amount of weight given to a sale depends on the degree of similarity between the comparable and the donated properties. The degree of similarity must be close enough so that this selling price would have been given consideration by reasonably well-informed buyers or sellers of the property.

Example. You give a rare, old book to your former college. The book is a third edition and is in poor condition because of a missing back cover. You discover that there was a sale for $300, near the valuation date, of a first edition of the book that was in good condition. Although the contents are the same, the books are not at all similar because of the different editions and their physical condition. Little consideration would be given to the selling price of the $300 property by knowledgeable buyers or sellers.

Future Events

You may not consider unexpected events happening after your donation of property in making the valuation. You may consider only the facts known at the time of the gift, and those that could reasonably be expected at the time of the gift.

Example. You give farmland to a qualified charity. The transfer provides that your mother

will have the right to all income and full use of the property for her life. Even though your mother dies 1 week after the transfer, the value of the property on the date it is given is its present value, subject to the life interest as estimated from actuarial tables. You may not take a higher deduction because the charity received full use and possession of the land only 1 week after the transfer.

Using Past Events to Predict the Future

A common error is to rely too much on past events that do not fairly reflect the probable future earnings and FMV.

Example. You give all your rights in a successful patent to your favorite charity. Your records show that before the valuation date there were three stages in the patent's history of earnings. First, there was rapid growth in earnings when the invention was introduced. Then, there was a period of high earnings when the invention was being exploited. Finally, there was a decline in earnings when competing inventions were introduced. The entire history of earnings may be relevant in estimating the future earnings. However, the appraiser must not rely too much on the stage of rapid growth in earnings or of high earnings. The market conditions at those times do not represent the condition of the market at the valuation date. What is most significant is the trend of decline in earnings up to the valuation date. For more information about donations of patents, see *Patents*, later.

Valuation of Various Kinds of Property

This section contains information on determining the FMV of ordinary kinds of donated property. For information on appraisals, see *Appraisals*, later.

Household Items

The FMV of used household items is usually much lower than the price paid when new. Household items include furniture, furnishings, electronics, appliances, linens, and similar items. Household items do not include paintings, antiques, objects of art, jewelry, gems, and collections like stamp and coin collections. Such used property may have little or no market value because It may be out of style.

You cannot take an income tax charitable contribution deduction for household items unless they are in good used condition or better. The one exception to this is a household item that is not in good used condition or better for which you claim an income tax charitable contribution deduction of more than $500. In this case, you must obtain a qualified appraisal valuing the item and complete a Form 8283. See *Deduction over $500 for certain clothing or household items*, later.

If the property is valuable because it is old or unique, see *Paintings, Antiques, and Other Objects of Art*, later.

Used Clothing

Used clothing and other personal items are usually worth far less than the price you paid for them. Valuation of items of clothing does not lend itself to fixed formulas or methods.

The price that buyers of used items actually pay in used clothing stores, such as consignment or thrift shops, is an indication of the value.

You cannot take an income tax charitable contribution deduction for an item of used clothing. The one exception to this is an item of used clothing that is not in good used condition or better for which you claim an income tax charitable contribution deduction of more than $500. In this case, you must obtain a qualified appraisal valuing the item of used clothing and complete a Form 8283. See *Deduction over $500 for certain clothing or household items*, later.

Jewelry and Gems

Jewelry and gems are of such a specialized nature that it is almost always necessary to get an appraisal by a specialized jewelry appraiser. The appraisal should describe, among other things, the style of the jewelry, the cut and setting of the gem, and whether it is now in fashion. If not in fashion, the possibility of having the property redesigned, recut, or reset should be reported in the appraisal. The stone's coloring, weight, cut, brilliance, and flaws should be reported and analyzed. Sentimental personal value has no effect on FMV. But if the jewelry was owned by a famous person, its value might increase.

Paintings, Antiques, and Other Objects of Art

Your income tax charitable contribution donation of paintings, antiques, and other objects of art, for which you claim a deduction of more than $5,000 must be supported by a qualified appraisal and a Form 8283. See *Qualified Appraisal*, later.

Art valued at $20,000 or more. If you claim a deduction of $20,000 or more for an income tax charitable contribution donation of art (such as a painting, sculpture, antique, and a collection (for example, a stamp or coin collection)), you should attach the qualified appraisal for the art. A photograph of a size and quality fully showing the object, preferably a high-resolution digital image, should be provided if requested.

Art valued at $50,000 or more. If you donate an item of art (such as a painting, sculpture, antique, and a collection (for example, a stamp or coin collection)) that has been appraised at $50,000 or more, you can request a Statement of Value for that item from the IRS. You must request the statement before filing the tax return that reports the donation. Your request must include the following.

- A copy of a qualified appraisal of the item. See *Qualified Appraisal*, later.
- A user fee of $7,500 for one to three items and $400 for each additional item paid through *Pay.gov*. A payment confirmation will be provided to you through the *Pay.gov* portal and you should submit the payment confirmation with your Statement of Value request.
- A completed Form 8283, Section B.
- The location of the IRS territory that has examination responsibility for your return.

If your request lacks essential information, you will be notified and given 30 days to provide the missing information.

Send your request to:

Internal Revenue Service/Appeals
Attn: Art Appraisal Services
Request for Statement of Value
1111 Constitution Ave. NW, Room 3615
Washington, DC 20224–0002

Refunds. You can withdraw your request for a Statement of Value at any time before it is issued. However, the IRS will not refund the user fee if you do.

If the IRS declines to issue a Statement of Value in the interest of efficient tax administration, the IRS will refund the user fee.

Authenticity. It is helpful if the authenticity of the donated art has been determined. To determine who is an appropriate expert competent to authenticate an object of art depends upon the type of object and the creator of that object. The appraiser is responsible for performing due diligence regarding authentication for the donated art.

Physical condition. Important factors in the valuation of antiques and art are physical condition and extent of restoration. These have a significant effect on the value and must be fully reported in an appraisal. An antique in damaged condition, or lacking the “original brasses,” may be worth much less than a similar piece in excellent condition.

Collectibles

Because many kinds of collectibles may be the subject of a charitable donation, it is not possible to discuss all of the possible types in this publication. Most common are rare books, autographs, sports memorabilia, dolls, manuscripts, stamps, coins, guns, music and entertainment memorabilia, comics, toys, and natural history items. Many of the elements of valuation that apply to paintings and other objects of art, discussed earlier, also apply to collectibles.

Reference material. Publications available to help you determine the value of many kinds of collections include catalogs, dealers' price lists, and specialized hobby periodicals. When using one of these price guides, you must use the current edition at the date of contribution.



These sources are not always reliable indicators of FMV and should be supported by other evidence.

For example, a dealer may sell an item for much less than is shown on a price list, particularly after the item has remained unsold for a long time. The price an item sold for in an auction may have been the result of a rigged sale or

a mere bidding duel. The appraiser must analyze the reference material, and recognize and make adjustments for misleading entries. If you are claiming an income tax charitable contribution deduction for the donation of a collection valued at more than $5,000, you must obtain a qualified appraisal and complete a Form 8283.

Stamp collections. Most libraries have catalogs or other books that report the publisher's estimate of values. Generally, two price levels are shown for each stamp: the price postmarked and the price not postmarked. Contact an appraiser for assistance with properly valuing stamp collections.

Coin collections. Many catalogs and other reference materials show the writer's or publisher's opinion of the value of coins on or near the date of the publication. Like many other collectors' items, the value of a coin depends on the demand for it, its age, and its rarity. Another important factor is the coin's condition. For example, there is a great difference in the value of a coin that is in mint condition and a similar coin that is only in good condition.

Use caution when consulting price guides for coins as only a trained grader can distinguish the difference between mint, uncirculated, extremely fine, very fine, fine, very good, good, fair, or poor. The difference in value between one grade and another could be vast.

Books. The value of books is usually determined by selecting comparable sales and adjusting the prices according to the differences between the comparable sales and the item being evaluated. This can be difficult to do and, except for a collection of little value, should be done by a specialized appraiser. Within the general category of literary property, there are appraisers who specialize in certain areas, such as Americana, foreign imports, religious books, and scientific books.

Modest value of collection. If the collection you are donating is of modest value, not requiring a written appraisal, the following information may help you in determining the FMV.

A book that is very old, or very rare, is not necessarily valuable. There are many books that are very old or rare, but that have little or no market value.

Condition of book. The condition of a book may have a great influence on its value. Collectors are interested in items that are in fine, or at least good, condition. When a book has a missing page, a loose binding, tears, or stains, or is otherwise in poor condition, its value is greatly lowered.

Other factors. Some other factors in the valuation of a book are the kind of binding (leather, cloth, paper), page edges, and illustrations (drawings and photographs). Collectors usually want first editions of books. However, because of changes or additions, other editions are sometimes worth as much as, or more than, the first edition.

Manuscripts, autographs, diaries, and similar items. When these items are handwritten, or at least signed by famous people, they are often in demand and are valuable. However, the noteworthiness of an author is not the only determining factor; the writings of unknown or obscure authors may also be of value if they are of unusual historical or literary importance. Determining the value of such material is difficult. For example, there may be a great difference in value between two diaries that were kept by a famous person—one kept during childhood and the other during a later period in their life. The appraiser determines a value in these cases by applying knowledge and judgment to such factors as comparable sales and market conditions.

Signatures. Signatures, or sets of signatures, that were cut from letters or other papers usually have little or no value. But complete sets of the signatures of U.S. presidents are in demand.

Cars, Boats, and Aircraft

If you donate a car, a boat, or an aircraft to a charitable organization, its FMV must be determined.

Certain commercial firms and trade organizations publish monthly or seasonal guides for different regions of the country, containing complete dealer sale prices or dealer average prices for recent model years. Prices are reported for each make, model, and year. These guides also provide estimates for adjusting for unusual equipment, unusual mileage, and physical condition. The prices are not “official,” and these publications are not considered an appraisal of any specific donated property. But they do provide clues for making an appraisal and suggest relative prices for comparison with current sales and offerings in your area.

These publications are sometimes available from public libraries or at a bank, credit union, or finance company. You can also find pricing information about used cars on the Internet.

An acceptable measure of the FMV of a donated car, boat, or airplane is an amount not in excess of the price listed in a used vehicle pricing guide for a private party sale, not the dealer retail value, of a similar vehicle. However, the FMV may be less than that amount if the vehicle has engine trouble, body damage, high mileage, or any type of excessive wear. The FMV of a donated vehicle is the same as the price listed in a used vehicle pricing guide for a private party sale only if the guide lists a sales price for a vehicle that is the same make, model, and year, sold in the same area, in the same condition, with the same or similar options or accessories, and with the same or similar warranties as the donated vehicle.

Example. You donate a used car in poor condition to a local high school for use by students studying car repair. A used car guide shows the dealer retail value for this type of car in poor condition is $1,600. However, the guide shows the price for a private party sale of the car is only $750. The FMV of the car is considered to be no more than $750.

Boats. Except for inexpensive small boats, the valuation of boats should be based on an appraisal by a marine surveyor because the physical condition is so critical to the value.

More information. Your deduction for a donated car, boat, or airplane is generally limited to the gross proceeds from its sale by the qualified organization. This rule applies if the claimed value of the donated vehicle is more than $500. In certain cases, you can deduct the vehicle's FMV. For details, see Pub. 526.

Inventory

If you donate any inventory item to a charitable organization, the amount of your deductible contribution is generally the FMV of the item, minus any gain you would have realized if you had sold the item at its FMV on the date of the gift. For more information, see Pub. 526.

Patents

To determine the FMV of a patent, you must take into account, among other factors:

- Whether the patented technology has been made obsolete by other technology;
- Any restrictions on the donee's use of, or ability to transfer, the patented technology; and
- The length of time remaining before the patent expires.

However, your deduction for a donation of a patent or other intellectual property is its FMV, minus any gain you would have realized if you had sold the property at its FMV on the date of the gift. Generally, this means your deduction is the lesser of the property's FMV or its basis. For details, see Pub. 526.

Stocks and Bonds

The value of stocks and bonds is the FMV of a share or bond on the valuation date. See *Date of contribution* , earlier, under *What Is Fair Market Value (FMV)?*.

Selling prices on valuation date. If there is an active market for the contributed stocks or bonds on a stock exchange, in an over-the-counter market, or elsewhere, the FMV of each share or bond is the average price between the highest and lowest quoted selling prices on the valuation date. For example, if the highest selling price for a share was $11 and the lowest $9, the average price is $10. You get the average price by adding $11 and $9 and dividing the sum by 2.

No sales on valuation date. If there were no sales on the valuation date, but there were sales within a reasonable period before and after the valuation date, you determine FMV by taking the average price between the highest and lowest sales prices on the nearest date before and on the nearest date after the valuation date. Then you weight these averages in inverse order by the respective number of trading days between the selling dates and the valuation date.

Example. On the day you gave stock to a qualified organization, there were no sales of the stock. Sales of the stock nearest the valuation date took place 2 trading days before the valuation date at an average selling price of $10 and 3 trading days after the valuation date at an

average selling price of $15. The FMV on the valuation date was $12, figured as follows.

[(3 x $10) + (2 x $15)] ÷ 5 = $12

Listings on more than one stock exchange. Stocks or bonds listed on more than one stock exchange are valued based on the prices of the exchange on which they are principally dealt. This applies if these prices are published in a generally available listing or publication of general circulation. If this is not applicable, and the stocks or bonds are reported on a composite listing of combined exchanges in a publication of general circulation, use the composite list. See also *Unavailable prices*, later.

Bid and asked prices on valuation date. If there were no sales within a reasonable period before and after the valuation date, the FMV is the average price between the bona fide bid and asked prices on the valuation date.

Example. Although there were no sales of Blue Corporation stock on the valuation date, bona fide bid and asked prices were available on that date of $14 and $16, respectively. The FMV is $15, the average price between the bid and asked prices.

No prices on valuation date. If there were no prices available on the valuation date, you determine FMV by taking the average prices between the bona fide bid and asked prices on the closest trading date before and after the valuation date. Both dates must be within a reasonable period. Then you weight these averages in inverse order by the respective number of trading days between the bid and asked dates and the valuation date.

Example. On the day you gave stock to a qualified organization, no prices were available. Bona fide bid and asked prices 3 days before the valuation date were $10 and 2 days after the valuation date were $15. The FMV on the valuation date is $13, figured as follows.

[(2 x $10) + (3 x $15)] ÷ 5 = $13

Prices only before or after valuation date, but not both. If no selling prices or bona fide bid and asked prices are available on a date within a reasonable period before the valuation date, but are available on a date within a reasonable period after the valuation date, or vice versa, then the average price between the highest and lowest of such available prices may be treated as the value.

Large blocks of stock. When a large block of stock is put on the market, it may lower the selling price of the stock if the supply is greater than the demand. On the other hand, market forces may exist that will afford higher prices for large blocks of stock. Because of the many factors to be considered, determining the value of large blocks of stock usually requires the help of experts specializing in underwriting large quantities of securities or in trading in the securities of the industry of which the particular company is a part.

Unavailable prices. If selling prices or bid and asked prices are not available, determine the FMV by considering the following factors.

- For bonds, the soundness of the security, the interest yield, the date of maturity, and other relevant factors.
- For shares of stock, the company's net worth, prospective earning power and dividend-paying capacity, and other relevant factors.

Other factors. Other relevant factors include:

- The nature and history of the business, especially its recent history;
- The goodwill of the business;
- The economic outlook in the particular industry;
- The company's position in the industry, its competitors, and its management; and
- The value of securities of corporations engaged in the same or similar business.

For preferred stock, the most important factors are its yield, dividend coverage, and protection of its liquidation preference.

You should keep complete financial and other information on which the valuation is based. This includes copies of reports of examinations of the company made by accountants, engineers, or any technical experts on or close to the valuation date.

Restricted securities. Some classes of stock cannot be traded publicly because of restrictions imposed by the Securities and Exchange Commission, or by the corporate charter or a trust agreement. These restricted securities usually trade at a discount in relation to freely traded securities.

To arrive at the FMV of restricted securities, factors that you must consider include the resale provisions found in the restriction agreements, the relative negotiating strengths of the buyer and seller, and the market experience of freely traded securities of the same class as the restricted securities.

Real Estate

Because each piece of real estate is unique and its valuation is complicated, a detailed appraisal by a professional appraiser is necessary.

The appraiser must be thoroughly trained in the application of appraisal principles and theory. In some instances, the opinions of equally qualified appraisers may carry unequal weight, such as when one appraiser has a better knowledge of local conditions.

The appraisal report must contain a complete description of the property, such as street address, legal description, and lot and block number, as well as physical features, condition, and dimensions. The use to which the property is put, zoning and permitted uses, and its potential use for other higher and better uses are also relevant.

In general, there are three main approaches to the valuation of real estate. An appraisal may require the combined use of two or three methods rather than one method only.

1. Comparable Sales

The comparable sales method compares the donated property with several similar properties that have been sold. The selling prices, after adjustments for differences in date of sale, size, condition, and location, would then indicate the estimated FMV of the donated property.

If the comparable sales method is used to determine the value of unimproved real property (land without significant buildings, structures, or any other improvements that add to its value), the appraiser should consider the following factors when comparing the potential comparable property and the donated property.

- Location, size, and zoning or use restrictions.
- Accessibility and road frontage, and available utilities and water rights.
- Riparian rights (right of access to and use of the water by owners of land on the bank of a river) and existing easements, rights-of-way, leases, etc..
- Soil characteristics, vegetative cover, and status of mineral rights.
- Other factors affecting value.

For each comparable sale, the appraisal must include the names of the buyer and seller, the deed book and page number, the date of sale and selling price, a property description, the amount and terms of mortgages, property surveys, the assessed value, the tax rate, and the assessor's appraised FMV.

The comparable selling prices must be adjusted to account for differences between the sale property and the donated property. Because differences of opinion may arise between appraisers as to the degree of comparability and the amount of the adjustment considered necessary for comparison purposes, an appraiser should document each item of adjustment.

Only comparable sales having the least adjustments in terms of items and/or total dollar adjustments should be considered as comparable to the donated property.

2. Capitalization of Income

This method capitalizes the net income from the property at a rate that represents a fair return on the particular investment at the particular time, considering the risks involved. The key elements are the determination of the income to be capitalized and the rate of capitalization.

3. Replacement Cost New or Reproduction Cost Minus Observed Depreciation

This method, used alone, usually does not result in a determination of FMV. Instead, it generally tends to set the upper limit of value, particularly in periods of rising costs, because it is reasonable to assume that an informed buyer will not pay more for the real estate than it would cost to reproduce a similar property. Of course, this reasoning does not apply if a similar property cannot be created because of location, unusual construction, or some other

reason. Generally, this method serves to support the value determined from other methods. When the replacement cost method is applied to improved realty, the land and improvements are valued separately.

The replacement cost of a building is figured by considering the materials, the quality of workmanship, and the number of square feet or cubic feet in the building. This cost represents the total cost of labor and material, overhead, and profit. After the replacement cost has been figured, consideration must be given to the following factors.

- Physical deterioration—the wear and tear on the building itself.
- Functional obsolescence—usually in older buildings with, for example, inadequate lighting, plumbing, or heating; small rooms; or a poor floor plan.
- Economic obsolescence—outside forces causing the whole area to become less desirable.

Interest in a Business

The FMV of any interest in a closely held business (whether a sole proprietorship or a business taxed as a corporation or partnership) is the amount that a willing buyer would pay for the interest to a willing seller after consideration of all relevant factors. Because of the many factors to be considered in determining the FMV of an interest in a closely held business, the help of experts is usually required. Such a determination requires the consideration of all available financial data, as well as all relevant factors affecting FMV. The following factors, although not all-inclusive, may be helpful.

- The business's net worth and prospective earning power.
- The nature and history of the business.
- The economic outlook of the industry in which the business operates.
- The business's position in the industry, its competitors, and its management.
- The FMV of assets of the business including goodwill, if applicable.
- The value of interests in businesses engaged in the same or similar industries.

You should keep complete financial and other information on which the valuation is based. This includes copies of reports of examinations of the business made by accountants, engineers, or any technical experts on or close to the valuation date.

Annuities, Interests for Life or Terms of Years, Remainders, and Reversions

The value of these kinds of property is their present value, except in the case of annuities under contracts issued by companies regularly engaged in their sale. The valuation of these commercial annuity contracts and of insurance policies is discussed later under *Certain Life Insurance and Annuity Contracts*.

To determine present value, you must know the applicable interest rate and use actuarial tables.

Interest rate. The applicable interest rate varies. It is announced monthly in a news release and published in the Internal Revenue Bulletin as a Revenue Ruling. The interest rate to use is under the heading "Rate Under Section 7520" for a given month and year. You can call the IRS office at 800-829-1040 to obtain this rate.

Actuarial tables. You need to refer to actuarial tables to determine a qualified interest in the form of an annuity, any interest for life or a term of years, or any remainder interest to a charitable organization.

Use the valuation tables set forth in IRS Pub 1457, Actuarial Valuations, Version 3A; and Pub 1458, Actuarial Valuations, Version 3B. Both of these publications provide tables containing actuarial factors to be used in determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest. For qualified charitable transfers, you can use the factor for the month in which you made the contribution or for either of the 2 months preceding that month.

Pub. 1457 also contains actuarial factors for computing the value of a remainder interest in a charitable remainder annuity trust and a pooled income fund. Pub. 1458 contains the factors for valuing the remainder interest in a charitable remainder unitrust. You can download Pubs 1457 and 1458 from *IRS.gov*. Tables containing actuarial factors for transfers to pooled income funds may also be found in Regulations section 1.642(c)-6(e)(6), transfers to charitable remainder unitrusts in Regulations section 1.664-4(e), and other transfers in Regulations section 20.2031-7(d)(6).

Special factors. If you need a special factor for an actual transaction, you can request a letter ruling. Be sure to include the date of birth of each person the duration of whose life may affect the value of the interest. Also include copies of the relevant instruments. The IRS charges a user fee for providing special factors.

For more information about requesting a ruling, see Revenue Procedure 2022-1 (or annual update).

For information on the circumstances under which a charitable deduction may be allowed for the donation of a partial interest in property not in trust, see *Partial Interest in Property Not in Trust*, later.

Certain Life Insurance and Annuity Contracts

The value of an annuity contract or a life insurance policy issued by a company regularly engaged in the sale of such contracts or policies is the amount that company would charge for a comparable contract.

But if the donee of a life insurance policy may reasonably be expected to cash the policy rather than hold it as an investment, then the FMV is the cash surrender value rather than the replacement cost.

If an annuity is payable under a combination annuity contract and life insurance policy (for example, a retirement income policy with a death benefit) and there was no insurance element when it was transferred to the charity, the policy is treated as an annuity contract.

Partial Interest in Property Not in Trust

Generally, no deduction is allowed for a charitable contribution, not made in trust, of less than your entire interest in property. However, this does not apply to a transfer of less than your entire interest if it is a transfer of:

- A remainder interest in your personal residence or farm,
- An undivided part of your entire interest in property, or
- A qualified conservation contribution.

Remainder Interest in Real Property

The amount of the deduction for a donation of a remainder interest in real property is the FMV of the remainder interest at the time of the contribution. To determine this value, you must know the FMV of the property on the date of the contribution. Multiply this value by the appropriate factor. Pubs. 1457 and 1458 contain these factors.

You must make an adjustment for depreciation or depletion using the factors shown in Pub. 1459, Actuarial Valuations, Version 3C. You can use the factors for the month in which you made the contribution or for either of the 2 months preceding that month. See on *Annuities, Interests for Life or Terms of Years, Remainders, and Reversions*, earlier. You can download Pub. 1459 from *IRS.gov*.

For this purpose, the term "depreciable property" means any property subject to wear and tear or obsolescence, even if not used in a trade or business or for the production of income.

If the remainder interest includes both depreciable and nondepreciable property, for example, a house and land, the FMV must be allocated between each kind of property at the time of the contribution. This rule also applies to a gift of a remainder interest that includes property that is part depletable and part not depletable. Take into account depreciation or depletion only for the property that is subject to depreciation or depletion.

For more information, see Regulations section 1.170A-12.

Undivided Part of Your Entire Interest

A contribution of an undivided part of your entire interest in property must consist of a part of each and every substantial interest or right you own in the property. It must extend over the entire term of your interest in the property. For example, you are entitled to the income from certain property for your life (life estate) and you contribute 20% of that life estate to a qualified organization. You can claim a deduction for the contribution if you do not have any other

interest in the property. To figure the value of a contribution involving a partial interest, see Pub. 1457.

If the only interest you own in real property is a remainder interest and you transfer part of that interest to a qualified organization, see the previous discussion on valuation of a remainder interest in real property.

Qualified Conservation Contribution

A qualified conservation contribution is a contribution of a qualified real property interest to a qualified organization to be used only for conservation purposes.

Qualified organization. For purposes of a qualified conservation contribution, a qualified organization is:

- A governmental unit;
- A publicly supported charitable, religious, scientific, literary, educational, etc., organization; or
- An organization that is controlled by, and operated for the exclusive benefit of, a governmental unit or a publicly supported charity.

The organization must also have a commitment to protect the conservation purposes of the donation and must have the resources to enforce the restrictions.

Conservation purposes. Your contribution must be made only for one of the following conservation purposes.

- Preserving land areas for outdoor recreation by, or for the education of, the general public.
- Protecting a relatively natural habitat of fish, wildlife, or plants, or a similar ecosystem.
- Preserving open space, including farmland and forest land, if it yields a significant public benefit. It must be either for the scenic enjoyment of the general public or under a clearly defined federal, state, or local governmental conservation policy.
- Preserving a historically important land area or a certified historic structure. There must be some visual public access to the property. Factors used in determining the type and amount of public access required include the historical significance of the property, the remoteness or accessibility of the site, and the extent to which intrusions on the privacy of individuals living on the property would be unreasonable.

Building in registered historic district. A contribution of a qualified real property interest that is an easement or other restriction on the exterior of a building in a registered historic district is deductible only if it meets all of the following three conditions.

1. The restriction must preserve the entire exterior of the building and must prohibit any change to the exterior of the building that is inconsistent with its historical character.
2. You and the organization receiving the contribution must enter into a written agreement certifying that the organization is a qualified organization and that it has the resources and commitment to maintain the property as donated.
3. If you make the contribution, you must include with your return:
   a. A qualified appraisal;
   b. Photographs of the building's entire exterior; and
   c. A description of all restrictions on development of the building, such as zoning laws and restrictive covenants.

If you claim a deduction of more than $10,000, your deduction will not be allowed unless you pay a $500 filing fee. See Form 8283-V, and its instructions.

Qualified real property interest. This is any of the following interests in real property.

1. Your entire interest in real estate other than a mineral interest (subsurface oil, gas, or other minerals, and the right of access to these minerals).
2. A remainder interest.
3. A restriction (granted in perpetuity) on the use that may be made of the real property.

Valuation. A qualified real property interest described in (1) consists of the following.

- Your entire interest in real property with you retaining a qualified mineral interest, or your entire interest in the real property when someone else owns the qualified mineral interest and the probability of surface mining occurring is so remote as to be negligible. A qualified mineral interest gives you the right to access subsurface oil, gas, or other minerals. You determine the FMV of the real property absent the qualified mineral interest in the same manner that you determine the FMV of real estate. See Real Estate, earlier.
- A remainder interest in real property. You determine the FMV of a remainder interest in real property as directed earlier under Remainder Interest in Real Property.
- A conservation restriction (granted in perpetuity) on the use which may be made of real property.

The value of the charitable contribution of a perpetual conservation restriction (conservation easement) is the FMV of the easement at the time of the contribution. In determining the FMV of a conservation easement, if there is a substantial record of arm's–length sales of conservation easements on other properties that are the same as or very similar to the donated conservation easement, you must take into account the selling price of these easements. If there are no comparable sales, the FMV of the conservation easement is generally determined indirectly as the difference between the FMVs of the property before and after the grant of the conservation easement. The FMV of the property before the grant of the conservation easement must take into account not only the current use of the property but also an objective assessment of how immediate or remote the likelihood is that the property, without the easement, would be developed. In determining whether the property could be developed, you must also consider any zoning, conservation, or historical preservation laws that would already restrict the property's potential highest and best use.

Finally, if a potential highest and best use is being considered that would require a change in zoning or other restrictions on the property, you must address whether it is reasonably probable that such a change would be permitted. Granting a conservation easement may increase, rather than reduce, the value of property, and in such a situation no deduction would be allowed.

Example. You own 10 acres of farmland. Similar land in the area has an FMV of $2,000 an acre. However, land in the general area that is restricted solely to farm use has an FMV of $1,500 an acre. Your county wants to preserve open space and prevent further development in your area.

You grant to the county an enforceable open space easement in perpetuity on 8 of the 10 acres, restricting its use to farmland. The value of this easement is $4,000, determined as follows.

FMV of the property before granting easement:		
$2,000 × 10 acres		$20,000
FMV of the property after granting easement:		
$1,500 × 8 acres	$12,000	
$2,000 × 2 acres	4,000	16,000
Value of easement		$4,000

If you later transfer in fee your remaining interest in the 8 acres to another qualified organization, the FMV of your remaining interest is the FMV of the 8 acres reduced by the FMV of the easement granted to the first organization.

More information. For more information about qualified conservation contributions, see Pub. 526.

Substantiation of Noncash Charitable Contributions

What you need to substantiate your deduction depends upon the property being donated and the claimed value of this property. There are three types of documents that may be required in order to substantiate your contribution.

- Contemporaneous Written Acknowledgment (CWA).
- Form 8283.
- An appraisal, which in some cases must be a “qualified appraisal,” completed by a “qualified appraiser.”

CWA. You must get a CWA from the charity to which you contributed property on or before the earlier of the date on which you file a return reporting the donation or the due date (including extensions) for filing such return. The CWA must include a description (but not value) of the property donated and whether the charity gave you any goods or services in exchange for the

property you donated. If the charity did give you any goods or services, the CWA must contain a description and good faith estimate of goods or services provided. Goods and services do not include intangible religious benefits that are not sold in a commercial setting.

Form 8283. You must file a Form 8283 if the amount of your deduction for each noncash contribution is more than $500, and when you donate certain publicly traded securities for which market quotations are readily available; certain intellectual property, like a patent; a vehicle for which you obtained a CWA meeting the requirements of section 170(f)(12)(B) (including a car, boat, or airplane) for which your deduction is limited to the gross proceeds from its sale; and inventory and other similar property described in section 1221(a)(1). You must also file a Form 8283 if you have a group of similar items for which a total deduction of over $500 is claimed. See *Form 8283*, below.

Similar items of property are items of the same general category or type, such as coin collections, paintings, books, clothing, jewelry, nonpublicly traded stock, land, or buildings.

Example. You claimed a deduction of $600 for inventory, $7,000 for publicly traded securities (quotations published daily), and $6,000 for a collection of 15 books ($400 each).

Appraisal. Many, but not all, charitable contributions require a qualified appraisal completed by a qualified appraiser. See *Qualified Appraiser* and *Qualified Appraisal*, later.

A qualified appraisal is not required for the donation of:

- Certain publicly traded securities for which market quotations are readily available;
- Certain intellectual property, like a patent;
- A vehicle for which you obtained a CWA meeting the requirements of section 170(f)(12)(B) (including a car, boat, or airplane) for which your deduction is limited to the gross proceeds from its sale;
- Inventory and other similar property described in section 1221(a)(1); and
- Noncash property valued at less than $5,000 unless the property is an item of clothing or a household item that is not in good used condition for which you are claiming a value of more than $500.

The appraiser's opinion is never more valid than the facts on which it is based; without these facts, it is simply a guess.

Even though a qualified appraisal by a qualified appraiser is not required, you must support the value you claim for the property you contribute to charity. For property like publicly traded securities for which market quotations are readily available, you may not need an appraisal by an appraiser. When you need an appraisal by an appraiser to support the value of your deduction, more weight is given to an appraisal by an appraiser that satisfies most of the requirements of a qualified appraisal by a qualified appraiser.

Cost of appraisals. You may not take a charitable contribution deduction for fees you pay for appraisals of your donated property.

Donation less than $5,000. If you give property worth less than $250 to charity, you should obtain a receipt from the charity. The receipt should include the charity's name and address, and the date you made the gift. If you give property worth between $250 and $5,000, you must obtain a CWA. You must also substantiate the FMV you claim for the property. You may need to file a Form 8283.

Deduction over $500 for certain clothing or household items. You must include with your return a qualified appraisal prepared by a qualified appraiser of any single item of clothing or any household item that is not in good used condition or better, and for which you deduct more than $500. Attach the appraisal and Form 8283. See *Household Goods* and *Used Clothing*, earlier. You must also obtain a CWA for this donation.

Deductions of More Than $5,000

Generally, if the claimed deduction for an item or group of similar items of donated property is more than $5,000, and was made after December 31, 1984, you must get a qualified appraisal signed and dated by a qualified appraiser, Form 8283, and attach Form 8283 to your tax return. There are exceptions, discussed later. You should keep the appraiser's report with your written records. Records are discussed in Pub. 526. You must also obtain a CWA for this donation.

The phrase “similar items” means property of the same generic category or type (whether or not donated to the same donee), such as stamps, coins, fine art, books, nonpublicly traded stock, nonpublicly traded securities other than nonpublicly traded stock, land, buildings, clothing, jewelry, furniture, household goods, collectibles, or decorative arts. For example, if you give books to three schools and you deduct $2,000, $2,500, and $900, respectively, your claimed deduction is more than $5,000 for these books. You must get a qualified appraisal of the books and for each school you must attach a fully completed Form 8283, Section B, to your tax return.

Publicly traded securities. Publicly traded securities are:

- Listed on a stock exchange in which quotations are published on a daily basis,
- Regularly traded in a national or regional over-the-counter market for which published quotations are available, or
- Shares of an open-end investment company (mutual fund) for which quotations are published on a daily basis in a newspaper of general circulation throughout the United States.
- The issue is regularly traded during the computation period (defined later) in a market for which there is an “interdealer quotation system” (defined later),
- The issuer or agent computes the “average trading price” (defined later) for the same issue for the computation period,
- The average trading price and total volume of the issue during the computation period are published in a newspaper of general circulation throughout the United States, not later than the last day of the month following the end of the calendar quarter in which the computation period ends,
- The issuer or agent keeps books and records that list for each transaction during the computation period the date of settlement of the transaction, the name and address of the broker or dealer making the market in which the transaction occurred, and the trading price and volume, and
- The issuer or agent permits the IRS to review the books and records described in the above bullet point with respect to transactions during the computation period upon receiving reasonable notice.

An interdealer quotation system is any system of general circulation to brokers and dealers that regularly disseminates quotations of obligations by two or more identified brokers or dealers who are not related to either the issuer or agent who computes the average trading price of the security. A quotation sheet prepared and distributed by a broker or dealer in the regular course of business and containing only quotations of that broker or dealer is not an interdealer quotation system.

The average trading price is the average price of all transactions (weighted by volume), other than original issue or redemption transactions, conducted through a U.S. office of a broker or dealer who maintains a market in the issue of the security during the computation period. Bid and asked quotations are not taken into account.

The computation period is weekly during October through December and monthly during January through September. The weekly computation periods during October through December begin with the first Monday in October and end with the first Sunday following the last Monday in December.

Deductions of More Than $500,000

If you claim a deduction of more than $500,000 for a donation of property, you must attach a qualified appraisal of the property to your return. This does not apply to contributions of cash, inventory, publicly traded stock, or intellectual property.

If you do not obtain a qualified appraisal and/or attach the appraisal to your return, if required, you cannot deduct your contribution, unless your failure to attach the appraisal is due to reasonable cause and not to willful neglect.

Qualified Appraisal

A qualified appraisal is an appraisal document that meets the following requirements.

- Is made, signed, and dated by a qualified appraiser (defined later) in accordance with generally accepted appraisal standards.
- Meets the relevant requirements of Regulations section 1.170A-17(a).
- Is signed by the qualified appraiser and dated no earlier than 60 days before the date of the contribution and no later than the due date, including extensions, of the

return on which the deduction for the contribution is first claimed. For an appraisal report dated before the date of the contribution, the valuation effective date must be no earlier than 60 days before the date of the contribution and no later than the date of the contribution. For an appraisal report dated on or after the date of the contribution, the valuation effective date must be the date of the contribution.
- Does not involve a prohibited appraisal fee.

You must receive the qualified appraisal before the due date, including extensions, of the return on which a charitable contribution deduction is first claimed for the donated property. If the deduction is first claimed on an amended return, the qualified appraisal must be received before the date on which the amended return is filed.

Form 8283 must be completed and attached to your tax return. Generally, you do not need to attach the qualified appraisal itself, but you should keep a copy as long as it may be relevant under the tax law. There are four exceptions.
- If you claim a deduction of $20,000 or more for donations of art, you should attach a complete copy of the appraisal. See *Paintings, Antiques, and Other Objects of Art*, earlier.
- If you claim a deduction of more than $500,000 for a donation of property, you must attach the appraisal. See *Deductions of More Than $500,000*, earlier.
- If you claim a deduction of more than $500 for an article of clothing, or a household item, that is not in good used condition or better, you must attach the appraisal. See *Deduction over $500 for certain clothing or household items*, earlier.
- If you claim a deduction for an easement or other restriction on the exterior of a building in a historic district, you must attach the appraisal. See *Building in registered historic district*, earlier.

Prohibited appraisal fee. Generally, no part of the fee arrangement for a qualified appraisal can be based on a percentage of the appraised value of the property. If a fee arrangement is based on what is allowed as a deduction, after IRS examination or otherwise, it is treated as a fee based on a percentage of appraised value.

Information included in qualified appraisal. A qualified appraisal must include the following information.

1. A description of the property in sufficient detail for a person who is not generally familiar with the type of property to determine that the property appraised is the property that was (or will be) contributed.
2. The physical condition of any tangible personal property or real property.
3. The date (or expected date) of contribution (valuation effective date).
4. The terms of any agreement or understanding entered into (or expected to be entered into) by or on behalf of the donor and donee that relates to the use, sale, or other disposition of the donated property, including, for example, the terms of any agreement or understanding that:
    a. Temporarily or permanently restricts a donee's right to use or dispose of the donated property;
    b. Earmarks donated property for a particular use; or
    c. Reserves to, or confers upon, anyone (other than a donee organization or an organization participating with a donee organization in cooperative fundraising) any right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having the income, possession, or right to acquire the property.
5. The name, address, and taxpayer identification number (TIN) of the qualified appraiser and, if the appraiser is a partner, an employee, or an independent contractor engaged by a person other than the donor, the name, address, and taxpayer identification number of the partnership or the person who employs or engages the appraiser.
6. The qualifications of the qualified appraiser who signs the appraisal to value the type of property being valued, including the appraiser's background, experience, education, and any membership in professional appraisal associations.
7. A statement that the appraisal was prepared for income tax purposes.
8. The declaration required by Regulations section 1.170A-17(3)(iv).
9. The appraised FMV on the date (or expected date) of contribution.
10. The method of valuation used to determine FMV, such as the sales comparison approach, cost approach, or income approach.
11. The specific basis for the valuation, such as any specific comparable sales transaction.

Art objects. The following are examples of information that should be included in a description of donated property. These examples are for art objects. A similar detailed breakdown should be given for other property. Appraisals of art objects—paintings in particular—should include all of the following.

1. A complete description of the object, indicating the:
    a. Size,
    b. Subject matter,
    c. Medium,
    d. Name of the artist (or culture), and
    e. Approximate date created.
2. The cost, date, and manner of acquisition.
3. A history of the item, including proof of authenticity.
4. A professional quality image of the object.
5. The facts on which the appraisal was based, such as:
    a. Sales or analyses of similar works by the artist, particularly on or around the valuation date;
    b. A record of any exhibitions at which the specific art object had been displayed;
    c. The economic state of the art market at the time of valuation, particularly with respect to the specific property; and
    d. The standing of the artist in their profession and in the particular school or time period.

Number of qualified appraisals. A separate qualified appraisal is required for each item of property that is not included in a group of similar items of property. You need only one qualified appraisal for a group of similar items of property contributed in the same tax year, but you may get separate appraisals for each item. A qualified appraisal for a group of similar items must provide all of the required information for each item of similar property. The appraiser, however, may provide a group description for selected items the total value of which is not more than $100.

Qualified appraiser. A qualified appraiser is an individual with verifiable education and experience in valuing the type of property for which the appraisal is performed.

1. The individual:
    a. Has earned an appraisal designation from a generally recognized professional appraiser organization, for the type of property being valued; or
    b. Has met certain minimum education requirements and 2 or more years of experience in valuing the type of property being valued. To meet the minimum education requirement the individual must have successfully completed professional or college-level coursework obtained from:
        i. A professional or college-level educational organization,
        ii. A professional trade or appraiser organization that regularly offers educational programs in valuing the type of property, or
        iii. An employer as part of an employee apprenticeship or education program similar to professional or college-level courses.
2. The individual regularly prepares appraisals for which they are paid.
3. The individual is not an excluded individual(defined later).

In addition, the appraiser must make a declaration in the appraisal that, because of their background, experience, education, and membership in professional associations, they are qualified to make appraisals of the type of property being valued. The appraiser must

complete the Declaration of Appraiser section on Form 8283, Section B. More than one appraiser may appraise the property, provided that each complies with the requirements, including signing the qualified appraisal and the Declaration of Appraiser section on Form 8283, Section B.

Excluded individuals. The following individuals cannot be qualified appraisers for the donated property.

1. The donor of the property or the taxpayer who claims the deduction.
2. The donee of the property.
3. A party to the transaction in which the donor acquired the property being appraised, unless the property is donated within 2 months of the date of acquisition and its appraised value is not more than its acquisition price. This applies to the person who sold, exchanged, or gave the property to the donor, or any person who acted as an agent for the transferor or donor in the transaction.
4. Any person employed by any of the above persons. For example, if the donor acquired a painting from an art dealer, neither the dealer nor persons employed by the dealer can be qualified appraisers for that painting.
5. Any person related under section 267(b) of the Internal Revenue Code to any of the above persons or married to a person related under section 267(b) to any of the above persons.
6. An appraiser who appraises regularly for a person in (1), (2), or (3), and who does not perform a majority of their appraisals made during their tax year for other persons.
7. An individual who receives a prohibited appraisal fee for the appraisal of the donated property. See *Prohibited appraisal fee*, earlier.
8. An individual who is prohibited from practicing before the IRS under section 330(c) of title 31 of the United States Code at any time during the 3-year period ending on the date the appraisal is signed by the individual.

In addition, an individual is not a qualified appraiser for a particular donation if the donor had knowledge of facts that would cause a reasonable person to expect the appraiser to falsely overstate the value of the donated property. For example, if the donor and the appraiser make an agreement concerning the amount at which the property will be valued, and the donor knows that amount is more than the FMV of the property, the appraiser is not a qualified appraiser for the donation.

Appraiser penalties. An appraiser who prepares an incorrect appraisal may have to pay a penalty if:

1. The appraiser knows or reasonably should have known the appraisal would be used in connection with a return or claim for refund,; and
2. The appraisal resulted in:
   a. A substantial valuation misstatement,
   b. A substantial estate or gift valuation understatement, or
   c. A gross valuation misstatement.

The penalty imposed on the appraiser is the smaller of:

1. The greater of:
   a. 10% of the underpayment due to the misstatement, or
   b. $1,000; or
2. 125% of the gross income received for the appraisal.

No penalty is imposed if the appraiser can establish that the appraisal's value is more likely than not correct.

In addition, any appraiser who falsely or fraudulently overstates the value of property described in a qualified appraisal of a Form 8283 that the appraiser has signed may be subject to a civil penalty for aiding and abetting as understatement of tax liability, and may have their appraisal disregarded.

Form 8283

Generally, if the claimed deduction for an item of donated property is more than $5,000, you must attach Form 8283 to your tax return and complete Section B.

If you do not attach Form 8283 to your return and complete Section B, the deduction will not be allowed unless your failure was due to reasonable cause and not willful neglect, or was due to a good faith omission.

You must attach a separate Form 8283 for each item of contributed property that is not part of a group of similar items. If you contribute similar items of property to the same donee organization, you need attach only one Form 8283 for those items. If you contribute similar items of property to more than one donee organization, you must attach a separate form for each donee.

IRS Review of Appraisals

In reviewing an income tax return, the IRS may accept the claimed value of the donated property, based on information or appraisals sent with the return, or may make its own determination of FMV. In either case, the IRS may:

- Contact the taxpayer to get more information;
- Refer the valuation problem to an IRS appraiser or valuation specialist;
- Refer the issue to Art Appraisal Services (AAS), a department of professional appraisers who consults with the Commissioner's Art Advisory Panel, a group of independent dealers and curators. A referral to AAS is mandatory for fine and decorative art valued at $50,000 or more; or
- Contract with an independent appraiser to appraise the property when the objects require appraisers of highly specialized experience and knowledge.

Responsibility of the IRS. The IRS is responsible for reviewing appraisals, but it is not responsible for making them. Supporting the FMV listed on your return is your responsibility.

The IRS does not accept appraisals without question. The IRS does not recognize any particular appraiser or organization of appraisers.

Timing of IRS action. The IRS generally does not approve valuations or appraisals before the actual filing of the tax return to which the appraisal applies. In addition, the IRS generally does not issue advance rulings approving or disapproving such appraisals.

Exception. For a request submitted as described earlier under *Art valued at $50,000 or more*, the IRS will issue a Statement of Value that can be relied on by the donor of the item of art.

Penalty

You may be liable for a penalty if you misstate the value or adjusted basis of donated property.

20% penalty. The penalty is 20% of the underpayment of tax related to the misstatement if:

- The value or adjusted basis claimed on the return is 150% or more of the correct amount, and
- You underpaid your tax by more than $5,000 because of the misstatement.

40% penalty. The penalty is 40%, rather than 20%, if:

- The value or adjusted basis claimed on the return is 200% or more of the correct amount, and
- You underpaid your tax by more than $5,000 because of the misstatement.

How To Get Tax Help

If you have questions about a tax issue; need help preparing your tax return; or want to download free publications, forms, or instructions, go to *IRS.gov* to find resources that can help you right away.

Preparing and filing your tax return. After receiving all your wage and earnings statements (Forms W-2, W-2G, 1099-R, 1099-MISC, 1099-NEC, etc.); unemployment compensation statements (by mail or in a digital format) or other government payment statements (Form 1099-G); and interest, dividend, and retirement statements from banks and investment firms (Forms 1099), you have several options to choose from to prepare and file your tax return. You can prepare the tax return yourself, see if you qualify for free tax preparation, or hire a tax professional to prepare your return.

Free options for tax preparation. Go to *IRS.gov* to see your options for preparing and

filing your return online or in your local community, if you qualify, which include the following.

- **Free File.** This program lets you prepare and file your federal individual income tax return for free using brand-name tax-preparation-and-filing software or Free File fillable forms. However, state tax preparation may not be available through Free File. Go to *IRS.gov/FreeFile* to see if you qualify for free online federal tax preparation, e-filing, and direct deposit or payment options.
- **VITA.** The Volunteer Income Tax Assistance (VITA) program offers free tax help to people with low-to-moderate incomes, persons with disabilities, and limited-English-speaking taxpayers who need help preparing their own tax returns. Go to *IRS.gov/VITA*, download the free IRS2Go app, or call 800-906-9887 for information on free tax return preparation.
- **TCE.** The Tax Counseling for the Elderly (TCE) program offers free tax help for all taxpayers, particularly those who are 60 years of age and older. TCE volunteers specialize in answering questions about pensions and retirement-related issues unique to seniors. Go to *IRS.gov/TCE*, download the free IRS2Go app, or call 888-227-7669 for information on free tax return preparation.
- **MilTax.** Members of the U.S. Armed Forces and qualified veterans may use MilTax, a free tax service offered by the Department of Defense through Military OneSource. For more information, go to *MilitaryOneSource* (*MilitaryOneSource.mil/MilTax*).

  Also, the IRS offers Free Fillable Forms, which can be completed online and then filed electronically regardless of income.

Using online tools to help prepare your return. Go to *IRS.gov/Tools* for the following.

- The *Earned Income Tax Credit Assistant* (*IRS.gov/EITCAssistant*) determines if you're eligible for the earned income credit (EIC).
- The *Online EIN Application* (*IRS.gov/EIN*) helps you get an employer identification number (EIN) at no cost.
- The *Tax Withholding Estimator* (*IRS.gov/W4app*) makes it easier for you to estimate the federal income tax you want your employer to withhold from your paycheck. This is tax withholding. See how your withholding affects your refund, take-home pay, or tax due.
- The *First-Time Homebuyer Credit Account Look-up* (*IRS.gov/HomeBuyer*) tool provides information on your repayments and account balance.
- The *Sales Tax Deduction Calculator* (*IRS.gov/SalesTax*) figures the amount you can claim if you itemize deductions on Schedule A (Form 1040).

Getting answers to your tax questions. On IRS.gov, you can get up-to-date information on current events and changes in tax law.

- *IRS.gov/Help*: A variety of tools to help you get answers to some of the most common tax questions.
- *IRS.gov/ITA*: The Interactive Tax Assistant, a tool that will ask you questions and, based on your input, provide answers on a number of tax law topics.
- *IRS.gov/Forms*: Find forms, instructions, and publications. You will find details on the most recent tax changes and interactive links to help you find answers to your questions.
- You may also be able to access tax law information in your electronic filing software.

Need someone to prepare your tax return? There are various types of tax return preparers, including enrolled agents, certified public accountants (CPAs), accountants, and many others who don't have professional credentials. If you choose to have someone prepare your tax return, choose that preparer wisely. A paid tax preparer is:

- Primarily responsible for the overall substantive accuracy of your return,
- Required to sign the return, and
- Required to include their preparer tax identification number (PTIN).

Although the tax preparer always signs the return, you're ultimately responsible for providing all the information required for the preparer to accurately prepare your return. Anyone paid to prepare tax returns for others should have a thorough understanding of tax matters. For more information on how to choose a tax preparer, go to *Tips for Choosing a Tax Preparer* on IRS.gov.

Coronavirus. Go to *IRS.gov/Coronavirus* for links to information on the impact of the coronavirus, as well as tax relief available for individuals and families, small and large businesses, and tax-exempt organizations.

Employers can register to use Business Services Online. The Social Security Administration (SSA) offers online service at *SSA.gov/employer* for fast, free, and secure online W-2 filing options to CPAs, accountants, enrolled agents, and individuals who process Form W-2, Wage and Tax Statement, and Form W-2c, Corrected Wage and Tax Statement.

IRS social media. Go to *IRS.gov/SocialMedia* to see the various social media tools the IRS uses to share the latest information on tax changes, scam alerts, initiatives, products, and services. At the IRS, privacy and security are our highest priority. We use these tools to share public information with you. **Don't** post your social security number (SSN) or other confidential information on social media sites. Always protect your identity when using any social networking site.

The following IRS YouTube channels provide short, informative videos on various tax-related topics in English, Spanish, and ASL.

- *Youtube.com/irsvideos*.
- *Youtube.com/irsvideosmultilingua*.
- *Youtube.com/irsvideosASL*.

Watching IRS videos. The IRS Video portal (*IRSVideos.gov*) contains video and audio presentations for individuals, small businesses, and tax professionals.

Online tax information in other languages. You can find information on *IRS.gov/MyLanguage* if English isn't your native language.

Free Over-the-Phone Interpreter (OPI) Service. The IRS is committed to serving our multilingual customers by offering OPI services. The OPI Service is a federally funded program and is available at Taxpayer Assistance Centers (TACs), other IRS offices, and every VITA/TCE return site. The OPI Service is accessible in more than 350 languages.

Accessibility Helpline available for taxpayers with disabilities. Taxpayers who need information about accessibility services can call 833-690-0598. The Accessibility Helpline can answer questions related to current and future accessibility products and services available in alternative media formats (for example, braille, large print, audio, etc.). The Accessibility Helpline does not have access to your IRS account. For help with tax law, refunds, or account-related issues, go to *IRS.gov/LetUsHelp*.

Note. Form 9000, Alternative Media Preference, or Form 9000(SP) allows you to elect to receive certain types of written correspondence in the following formats.

- Standard Print.
- Large Print.
- Braille.
- Audio (MP3).
- Plain Text File (TXT).
- Braille Ready File (BRF).

Disasters. Go to *Disaster Assistance and Emergency Relief for Individuals and Businesses* to review the available disaster tax relief.

Getting tax forms and publications. Go to *IRS.gov/Forms* to view, download, or print all the forms, instructions, and publications you may need. Or, you can go to *IRS.gov/OrderForms* to place an order.

Getting tax publications and instructions in eBook format. You can also download and view popular tax publications and instructions (including the Instructions for Form 1040) on mobile devices as eBooks at *IRS.gov/eBooks*.

Note. IRS eBooks have been tested using Apple's iBooks for iPad. Our eBooks haven't been tested on other dedicated eBook readers, and eBook functionality may not operate as intended.

Access your online account (individual taxpayers only). Go to *IRS.gov/Account* to securely access information about your federal tax account.

- View the amount you owe and a breakdown by tax year.

- See payment plan details or apply for a new payment plan.
- Make a payment or view 5 years of payment history and any pending or scheduled payments.
- Access your tax records, including key data from your most recent tax return, and transcripts.
- View digital copies of select notices from the IRS.
- Approve or reject authorization requests from tax professionals.
- View your address on file or manage your communication preferences.

Tax Pro Account. This tool lets your tax professional submit an authorization request to access your individual taxpayer *IRS online account*. For more information, go to *IRS.gov/TaxProAccount*.

Using direct deposit. The fastest way to receive a tax refund is to file electronically and choose direct deposit, which securely and electronically transfers your refund directly into your financial account. Direct deposit also avoids the possibility that your check could be lost, stolen, destroyed, or returned undeliverable to the IRS. Eight in 10 taxpayers use direct deposit to receive their refunds. If you don't have a bank account, go to *IRS.gov/DirectDeposit* for more information on where to find a bank or credit union that can open an account online.

Getting a transcript of your return. The quickest way to get a copy of your tax transcript is to go to *IRS.gov/Transcripts*. Click on either "Get Transcript Online" or "Get Transcript by Mail" to order a free copy of your transcript. If you prefer, you can order your transcript by calling 800-908-9946.

Reporting and resolving your tax-related identity theft issues.

- Tax-related identity theft happens when someone steals your personal information to commit tax fraud. Your taxes can be affected if your SSN is used to file a fraudulent return or to claim a refund or credit.
- The IRS doesn't initiate contact with taxpayers by email, text messages (including shortened links), telephone calls, or social media channels to request or verify personal or financial information. This includes requests for personal identification numbers (PINs), passwords, or similar information for credit cards, banks, or other financial accounts.
- Go to *IRS.gov/IdentityTheft*, the IRS Identity Theft Central webpage, for information on identity theft and data security protection for taxpayers, tax professionals, and businesses. If your SSN has been lost or stolen or you suspect you're a victim of tax-related identity theft, you can learn what steps you should take.
- Get an Identity Protection PIN (IP PIN). IP PINs are six-digit numbers assigned to taxpayers to help prevent the misuse of their SSNs on fraudulent federal income tax returns. When you have an IP PIN, it prevents someone else from filing a tax return with your SSN. To learn more, go to *IRS.gov/IPPIN*.

Ways to check on the status of your refund.

- Go to *IRS.gov/Refunds*.
- Download the official IRS2Go app to your mobile device to check your refund status.
- Call the automated refund hotline at 800-829-1954.

Note. The IRS can't issue refunds before mid-February for returns that claimed the EIC or the additional child tax credit (ACTC). This applies to the entire refund, not just the portion associated with these credits.

Making a tax payment. Go to *IRS.gov/Payments* for information on how to make a payment using any of the following options.

- *IRS Direct Pay*: Pay your individual tax bill or estimated tax payment directly from your checking or savings account at no cost to you.
- *Debit or Credit Card*: Choose an approved payment processor to pay online or by phone.
- *Electronic Funds Withdrawal*: Schedule a payment when filing your federal taxes using tax return preparation software or through a tax professional.
- *Electronic Federal Tax Payment System*: Best option for businesses. Enrollment is required.
- *Check or Money Order*: Mail your payment to the address listed on the notice or instructions.
- *Cash*: You may be able to pay your taxes with cash at a participating retail store.
- *Same-Day Wire*: You may be able to do same-day wire from your financial institution. Contact your financial institution for availability, cost, and time frames.

Note. The IRS uses the latest encryption technology to ensure that the electronic payments you make online, by phone, or from a mobile device using the IRS2Go app are safe and secure. Paying electronically is quick, easy, and faster than mailing in a check or money order.

What if I can't pay now? Go to *IRS.gov/Payments* for more information about your options.

- Apply for an *online payment agreement* (*IRS.gov/OPA*) to meet your tax obligation in monthly installments if you can't pay your taxes in full today. Once you complete the online process, you will receive immediate notification of whether your agreement has been approved.
- Use the *Offer in Compromise Pre-Qualifier* to see if you can settle your tax debt for less than the full amount you owe. For more information on the Offer in Compromise program, go to *IRS.gov/OIC*.

Filing an amended return. Go to *IRS.gov/Form1040X* for information and updates.

Checking the status of your amended return. Go to *IRS.gov/WMAR* to track the status of Form 1040-X amended returns.

Note. It can take up to 3 weeks from the date you filed your amended return for it to show up in our system, and processing it can take up to 16 weeks.

Understanding an IRS notice or letter you've received. Go to *IRS.gov/Notices* to find additional information about responding to an IRS notice or letter.

Note. You can use Schedule LEP (Form 1040), Request for Change in Language Preference, to state a preference to receive notices, letters, or other written communications from the IRS in an alternative language. You may not immediately receive written communications in the requested language. The IRS's commitment to LEP taxpayers is part of a multi-year timeline that is scheduled to begin providing translations in 2023. You will continue to receive communications, including notices and letters, in English until they are translated to your preferred language.

Contacting your local IRS office. Keep in mind, many questions can be answered on IRS.gov without visiting an IRS TAC. Go to *IRS.gov/LetUsHelp* for the topics people ask about most. If you still need help, IRS TACs provide tax help when a tax issue can't be handled online or by phone. All TACs now provide service by appointment, so you'll know in advance that you can get the service you need without long wait times. Before you visit, go to *IRS.gov/TACLocator* to find the nearest TAC and to check hours, available services, and appointment options. Or, on the IRS2Go app, under the Stay Connected tab, choose the Contact Us option and click on "Local Offices."

The Taxpayer Advocate Service (TAS) Is Here To Help You

What Is TAS?

TAS is an ***independent*** organization within the IRS that helps taxpayers and protects taxpayer rights. Their job is to ensure that every taxpayer is treated fairly and that you know and understand your rights under the *Taxpayer Bill of Rights*.

How Can You Learn About Your Taxpayer Rights?

The Taxpayer Bill of Rights describes 10 basic rights that all taxpayers have when dealing with the IRS. Go to *TaxpayerAdvocate.IRS.gov* to help you understand what these rights mean to you and how they apply. These are ***your*** rights. Know them. Use them.

What Can TAS Do for You?

TAS can help you resolve problems that you can't resolve with the IRS. And their service is free. If you qualify for their assistance, you will be assigned to one advocate who will work with you throughout the process and will do everything possible to resolve your issue. TAS can help you if:

- Your problem is causing financial difficulty for you, your family, or your business;

- You face (or your business is facing) an immediate threat of adverse action; or
- You've tried repeatedly to contact the IRS but no one has responded, or the IRS hasn't responded by the date promised.

How Can You Reach TAS?

TAS has offices *in every state, the District of Columbia, and Puerto Rico*. Your local advocate's number is in your local directory and at *TaxpayerAdvocate.IRS.gov/Contact-Us*. You can also call them at 877-777-4778.

How Else Does TAS Help Taxpayers?

TAS works to resolve large-scale problems that affect many taxpayers. If you know of one of these broad issues, report it to them at *IRS.gov/SAMS*.

TAS for Tax Professionals

TAS can provide a variety of information for tax professionals, including tax law updates and guidance, TAS programs, and ways to let TAS know about systemic problems you've seen in your practice.

Low Income Taxpayer Clinics (LITCs)

LITCs are independent from the IRS. LITCs represent individuals whose income is below a certain level and need to resolve tax problems with the IRS, such as audits, appeals, and tax collection disputes. In addition, LITCs can provide information about taxpayer rights and responsibilities in different languages for individuals who speak English as a second language. Services are offered for free or a small fee for eligible taxpayers. To find an LITC near you, go to *TaxpayerAdvocate.IRS.gov/about-us/Low-Income-Taxpayer-Clinics-LITC* or see IRS Pub. 4134, *Low Income Taxpayer Clinic List*.

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To help us develop a more useful index, please let us know if you have ideas for index entries. See "Comments and Suggestions" in the "Introduction" for the ways you can reach us.

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