Determining the eligibility of tax deductions from charitable donations of art

by Maggie Armstrong, JD

There are three main factors to consider in determining how much of a tax deduction one can take upon donating pieces of art. The first and most important factor is that a charitable donation must go to a public charity as recognized by the IRS to be eligible for a tax deduction. The IRS maintains a list of recognized public charities, which has an online searchable component, and the organization of your choosing should have no problem offering proof of their public charity and nonprofit designation.

Secondly, amount you are able to deduct depends on your ownership status over the item in question at the time of donation, and in some cases, how long you’ve owned it. For collectors of art, the value of the deduction depends on both the value of the piece and how long the collector has owned it. If the piece is over $5,000 in value and has been owned for more than one year, the collector may deduct the full market value of the piece upon donation without having to pay inheritance or estate taxes and avoiding recognizing capital gains. If it has been owned for less than a year, the collector will only be able to deduct the amount that was paid for the piece.

If the sale of the piece would normally generate income for the donor, as is the case with dealers and artists, then the donation will only earn a deduction in the amount that was spent on acquiring or creating the piece. When an artist donates her own work, she may only deduct the value of the materials used to make the work, and not its market value. Finally, the donation must meet the Related Use Requirement, meaning that the art donated must be the sort of art normally retained or exhibited by the charity, and also relate to the purpose of the charity, i.e., that which gives the organization its charitable designation.

These three factors are the most important ones to consider when determining how much and what kind of tax deduction a charitable donation of art is eligible for, and it is always recommended to talk to a tax attorney or CPA when calculating tax deductions.

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