



REGULATORY UPDATE

According to a memo released by the Internal Revenue Service on February 9, as part of routine FOIA disclosures, the Service has changed the threshold amount at which a tax return must be sent to the Art Advisory Service (AAS) for review of the appraisal accompanying a Form 8283 claimed deduction. The new threshold, \$50,000, replaces the previous threshold of \$20,000. In addition to the change in the threshold amount, the service has imposed a 60 day deadline by which a case manager must refer any Form 8283 claimed deductions with a value above the threshold amount to the AAS for review.

The full text of the IRS memo is enclosed below this message. If you have any questions, please contact John D. Russell, ASA's Director of Government Relations, at 703-733-2103, or via email at jrussell@appraisers.org.



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
Washington, D.C. 20224

January 27, 2011

SMALL BUSINESS/SELF-EMPLOYED DIVISION

Control Number: SBSE-04-0111-008
Expiration Date: 01-27-2012
Impacted IRM: 4.25.1.5.8.1 and
4.25.1.5.8.2

MEMORANDUM FOR CHIEF, ESTATE AND GIFT TAX

FROM: John H. Imhoff, Jr. *"/s/ John H. Imhoff, Jr."*
Director, Specialty Programs

SUBJECT: Interim Guidance on Referrals for Art Appraisal Services, when a referral is mandatory – change in the dollar threshold from \$20,000 to \$50,000

The purpose of this memorandum is to provide interim guidance to all Group Managers and Examiners regarding when a referral to the Art Appraisal Services is mandatory. The Estate and Gift Tax Program will modify IRM 4.25.1.5.8.1 and 4.25.1.5.8.2 to provide the following:

**4.25.1.5.8.1
Artwork**

- (1) In cases with art work or an art appraisal identified on the classification folder, E&G managers shall assign (or survey before assignment) cases within 45 days of receipt.
- (2) Examiners will make a referral to the Art Appraisal Services (AAS) within 60 days of receipt of case from the manager, if the case will be examined and includes a piece of art with a returned value of \$50,000 or more. The referral must adhere to the requirements set forth by the AAS pursuant to IRM 4.48.2 and 8.18.1; therefore, every effort needs to be made to obtain all the necessary information to adequately support the referral within this 60 day timeframe.
- (3) When Statement of Value reports are received from Appeals (pre-filing requests from taxpayer, per Rev. Proc. 96-15, 1996-1 C.B. 627), they will be logged in by Estate & Gift Tax Headquarters staff and then forwarded to the E&G Campus for suspense. The account will be monitored quarterly to screen for filed returns. When a return filing is detected, the return will be pulled from the Files section and reviewed for consistency with the Statement of Value. If a discrepancy is detected, the file will be forwarded to a E&G Campus examiner for classification and sent to the appropriate E&G Field office

for possible examination. If the return is examined, the person to whom the case is assigned will contact AAS to provide information on the disposition of the case.

- (4) When submitting items to the Art Advisory Panel for valuation, refer to IRM 4.48.2.3.1 for a complete listing of items and information to forward to AAS.

4.25.1.5.8.2

Office of Art Appraisal Services

- (1) The Office of Art Appraisal Services (under the Chief of Appeals) is available to provide appraisal services on works of art including paintings, drawings, prints, sculptures, antiques, ceramics, decorative arts, textiles, carpets, silver, rare manuscripts and historical memorabilia.
- (2) IRM 4.48.2 provides procedures for requesting art valuation assistance. If an examiner has a return under examination that involves a taxpayer's appraisal of a single work of art with a claimed value of \$50,000 or more, it must be referred to Art Appraisal Services and review by the Commissioner's Art Advisory Panel when applicable.
- (3) Send formal requests for assistance to:

**Internal Revenue Service, Office of Art Appraisal Services
1099 14th Street, N.W.
Suite 4200E
Washington D.C. 20005
ATT: AP:TP&V:ART**

An optional art referral form is available at the Appeals Art Appraisal Services web site at <http://appeals.web.irs.gov/art/>

- (4) Prior to any formal request, you may contact the office by phone for any advice or preliminary assistance. See Appeals Contact Information Art Appraisal Services Appraisers on the Appeals webpage at Appeals Contact Information.

Please ensure that this information is distributed to all affected employees within your organization.

This change is effective with the issuance of this Interim Guidance, SBSE-04-0111-008, which will be incorporated into Internal Revenue Manual 4.25.1 to reflect the above procedures by 01-27-2012.

If you have any questions, please contact Estate & Gift Tax Policy, Attorney-Advisor, Trina Graham.

cc: www.irs.gov