

# Financial Planning

## Smart Tax Strategies for Donating Collectibles

by [Katie Kuehner-Hebert](#)

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For most people, charitable giving generally involves a cash donation or perhaps the transfer of appreciated stocks. However, collectibles such as art, antiques, sports memorabilia, wine or even Hot Wheels collections can also be donated -- with tax benefits to boot.

"Donating a collectible may be a nice way to make a donation to a charitable organization when other means aren't available," says Claudia Mott, a planner at Epona Financial Solutions in Basking Ridge, N.J. "In some instances, the donor may also realize that family members or other beneficiaries may have no interest in the item, and donating it would preserve it."

Giving collectibles and family heirlooms also comes with some challenges. The biggest is accurately verifying the donation's value, says Kevin Meehan, regional president at Wealth Enhancement Group in Itasca, Ill. "The other challenge is the charities' desire to receive the asset," Meehan says. "Overall it may take a little more forward planning than a financial instrument such as stock as a gift."

In order to get the tax deduction, clients need to donate the items to an IRS-approved public charity, says Robert Pagliarini, president of Pacifica Wealth Advisors in Mission Viejo, Calif. They should also focus on donating those assets that have appreciated in value and that they've held for longer than a year in order to get the most tax benefit. It is "imperative" that an appraisal from a qualified source be obtained and included with the tax return for items with values above \$5,000, Mott says.

George Pennock, vice president, regional fiduciary officer at Bank of the West in Denver, says collectibles and heirlooms are great items to distribute while still alive, but can also be handled by creating a list that accompanies the will at death.

If an individual wishes heirlooms to be donated to charity, auctions "can be a great way to go," says Pennock, permitting the organization to retain certain items, such as artwork or furniture, or seek the highest bidders to create cash for the charity's operations. An estate planner can provide a form to stipulate the client's wishes, with the auction being handled by the executor.

Clients should also be careful when choosing to donate art they've personally created, Pagliarini says. "You'll only be able to deduct the basis -- how much you spent in materials creating it -- rather than the fair market value," Pagliarini says. "A better move would be to sell the piece and donate the cash."

*Katie Kuehner-Hebert is a writer in Running Springs, Calif. She's contributed to American Banker, Risk & Insurance and Human Resource Executive.*