

Steve Leimberg's Estate Planning Email Newsletter

Date: 01-May-17
From: Steve Leimberg's Estate Planning Newsletter
Subject: Jeff Baskies on Estate of Kollsman: Art Discount Disputes Are Alive and Well - Tax Court Rejects Estate's Expert's Value, but Allows Unique Discounts

“In Estate of Kollsman v. Comm’r, the Tax Court redetermined the value of two 17th Century “Old Master” paintings after rejecting the estate’s expert’s appraisals. The estate’s expert was ignored, as the court found the expert/appraiser: (a) was conflicted and motivated by personal economic interests, (b) exaggerated the risks associated with cleaning the artworks, and (c) didn’t offer comparable sales analysis and didn’t adequately explain how one of the paintings was sold a few years post death – by Sotheby’s – for approximately 5 times his estimated value (for tax purposes).

Nevertheless, the tax court did permit certain novel discounts, unique to art valuation, for the risks associated with: (i) cleaning the paintings, (ii) the bowed condition of one of the painting and (iii) the uncertain attribution of the artist of one of the paintings. Lessons for practitioners may be gleaned from the Tax Court’s ruling in Kollsman.”

Jeff Baskies provides members with his analysis of Estate of Kollsman v. Comm'r.

EXECUTIVE SUMMARY:

In Estate of Kollsman v. Comm'r, the Tax Court redetermined the value of two 17th Century “Old Master” paintings after rejecting the estate’s expert’s appraisals. The estate’s expert was ignored, as the court found the expert/appraiser: (a) was conflicted and motivated by personal economic interests, (b) exaggerated the risks associated with cleaning the artworks, and (c) didn’t offer comparable sales analysis and didn’t adequately explain how one of the paintings was sold a few years post death – by Sotheby’s – for approximately 5 times his estimated value (for tax purposes). Nevertheless, the tax court did permit certain novel discounts, unique to art valuation, for the risks associated with: (i) cleaning the paintings, (ii) the bowed condition of one of the painting and (iii) the uncertain attribution of the artist of one of the paintings. Lessons for practitioners may be gleaned from the Tax Court’s ruling in Kollsman.

HOPE THIS HELPS YOU HELP OTHERS MAKE A POSITIVE DIFFERENCE!

- Jeff Baskies

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CITES: Estate of Eva F. Kollsman v. Comm'r, T.C. Memo. 2017-40 (Feb. 22, 2017).