

Gifts that keep on taking

I HAVE WRITTEN in recent *Amphora* columns about the increasing challenges book collectors face in finding libraries prepared to accept donations in return for income tax receipts. Separate, problematic issues may face institutions accepting donations, as highlighted in a series of recent investigative reports by David Baines in the *Vancouver Sun*.¹

Baines focuses on the valuation assigned to a large book collection donated to a B.C. public library and the resulting tax credit issued. In subsequent columns he also highlighted a gift to a B.C. museum in which the donated items did not fit the collection mandate of the institution and the valuation subsequently proved to be far higher than the actual market value. As Baines made clear, such donations come at a direct cost to taxpayers, and therefore it is reasonable to expect rigour and transparency in assigning value to charitable donations.

Responsibility for overseeing the donation of cultural property to charitable organizations rests with the Canadian Cultural Property Export Review Board. The board uses the Canada Revenue Agency definition of “fair market value”:

The highest price, expressed in terms of money, that a property would bring, in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed, and prudent, and who are acting independently of each other.²

The board’s detailed requirements for cultural donations also address the qualifications of those assigning value to the donation:

Appraisals must be prepared by individuals or corporations actively buying and selling, or who are professionally qualified appraisers experienced and known for their expertise in the type of property concerned, such as dealers in, or evaluators of, the type of cultural property being appraised.³

The columns in the *Vancouver Sun* were triggered by a donation of over 46,000 Chinese-language books to Richmond Public Library and the resulting tax receipt for \$1,194,000 issued to the donor. This amount was, on the face of it, a not unreasonable per-volume value of \$25.55. While Baines makes it clear that he felt those involved with the donation acted honourably (“There are no villains in this mix.... I think everyone had honest intentions”), he does question the lack of rationale provided for the valuation and the subsequent cost to the government.

The root problems here are that ascertaining the value of a book or a collection of books is often a more subjective process than ascertaining the value of fine art, the other type of donation likely to trigger a charitable donation tax receipt. In addition, the qualifications accepted for book appraisers seem less rigorous than those for fine art appraisers.

With art appraisal, frequently involving unique objects, valuation typically considers the prevailing market (including auction and gallery sales records) as well as the objects’ provenance. In addition, the appraiser will be expected to have a combination of market experience and accreditation, the International Society of Appraisers (ISA) being the commonly accepted accrediting organization.

The ISA emphasizes professional development and credentialing programs, along with a strong code of ethics and professional conduct. With fine art, one of the ISA’s areas of focus, the market and pricing are tightly controlled by artists and their galleries. As a result, there is more likely to be a consistent market consensus on value, which is not to say that controversy (or even fraud) doesn’t arise with art appraisals.

In contrast to works of art, books are often available on the market in large numbers at widely divergent prices and with little consistency in the use of terminology to describe condition. The generally accepted qualification for carrying out book appraisals is membership in antiquarian bookseller associations (such as the Antiquarian Booksellers’ Association of Canada, ABAC).

The ABAC is a self-regulating organization with the stated intent of upholding the highest

professional and ethical standards. Membership is open to booksellers of “good character and reputation who have been actively and solely engaged for at least three continuous years in the buying and selling of antiquarian books and manuscripts, and related materials.” Members are admitted based on references from other members, and there is no requirement to pass an exam, as is the case with the ISA.

The ABAC requires that all valuations and appraisals by members be “fair and in keeping with the antiquarian book market.” Baines raises concerns about the generic nature of the appraisal accepted for the Richmond Public library donation and the fact that the appraiser uses the term “accredited” to refer to his qualifications, while all this refers to is membership in the ABAC.

Large gifts such as the book donation to the Richmond Public Library have been referred to by a colleague as “gifts that keep on taking” for a variety of reasons. The Baines columns make it clear that the recipient organization does not just have to worry about how the Canada Revenue Agency views an appraisal, but also about public perception and the reaction of funders and potential donors if problems arise. The staff time required to do damage control in such circumstances is added to the often very significant costs involved in processing items for the collection and housing them. In the case of the Richmond Public Library donation these costs are likely to be hundreds of thousands of dollars, assuming processing and cataloguing of the titles. Baines asks how many titles would have been selected by the library if a donation had not been involved, and how many will ultimately be read by library users?

In subsequent columns, Baines examined the donation of a series of tiny terra cotta sculptures attributed to Michelangelo to the Museum of Vancouver. In this instance, tax receipts were issued for \$31.4 million for two separate donations of sculptures. This spring, half of the sculptures were sent to auction in New York. The expert consensus was that the attribution to Michelangelo made more than 10 years previously was in error, and the sculptures previously evaluated at \$17 million failed to sell with a reserve of only \$140,000. The losers were the Government

of Canada—and, by extension, taxpayers—and the museum had to justify accepting gifts that didn’t appear to meet its collection mandate.

The negative publicity on the financial implications for government of charitable donations to cultural institutions prompted by the *Vancouver Sun* columns will no doubt affect how the Canadian Cultural Property Export Review Board will treat future donations. The board’s current criteria for ascertaining fair market value certainly appear detailed and rigorous, and they may well become even more so. We can be confident that libraries and museums that agree to accept donations will be more conscious of the potential for increased scrutiny when securing appraisals and issuing tax receipts.

1. “Richmond Library Gets Blockbuster Book Donation, Issues Tax Receipt for \$1.2 Million,” September 29, 2012, p. A19; “Controversy Swirls over Library’s Tax Receipt Issuance,” October 3, 2012, p. C1; “City of Richmond Officials Pledge to Review Process for Issuing Tax Receipts for Donated Items,” October 27, 2012, p. C2; “Blockbuster Donation of Sculptures Turns into Bust,” January 26, 2013, p. C1; “Vancouver Museum’s ‘Michelangelo’ Sculptures Fail to Sell at Auction,” February 9, 2013, p. G2; “Coquitlam Promoter Appeals Market Ban,” February 13, 2013, p. C2.
2. Canadian Heritage [website]. Certification of Cultural Property for Income Tax Purposes by the Canadian Cultural Property Export Review Board Application Guide and Supplementary Information. www.pch.gc.ca/pgm/bcm-mcp/pol/abc-ccp-2010-eng.cfm#a1821.
3. Ibid.

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 ~ Paul Whitney is the retired City Librarian of Vancouver Public Library.

