



V A N W E Y E N B E R G H

## **Difference between fair market value and replacement value**

To figure how much you may deduct for property that you contribute, you must first determine its fair market value on the date of the contribution.

Fair market value is the price that property would sell for on the open market. It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act and both having reasonable knowledge of the relevant facts.

What is replacement value?

The amount it would cost to replace an artwork with the same or similar image, and of the same or similar substrate, image size, and edition.

Comments:

- One of the most common situations for collectors involves appraisal for insurance coverage. With valuable antiques, decorative arts, fine art insurance companies require these items to be scheduled separately and to have the amount of coverage supported by an independent appraisal. The type of value that usually is required in this circumstance is replacement value. This means the amount of money that would be required to be paid in the marketplace to replace a property with one of like kind and quality.

- Replacement value includes not only the cost of acquiring or replicating the property, but also all the relevant costs associated with replacement. These other costs may include all applicable taxes and duties, framing and transportation.

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