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A Tax Victory for Art Collectors

In a decision on September 15, 2014, the Fifth Circuit reversed a 10% discount (previously applied by the United States Tax Court to a valuation of art) in favor of a more significant 47.5% discount. The careful consideration of evidentiary support provided by the art collector's family, legal team, accountant and other experts in conjunction with the blatant randomness of the initial 10% discount yielded a very positive result that many think will help other art owners reduce taxes on their estates.

Successful collectors face a difficult dilemma. If they sell their works of art during their lifetime, they pay a 28% federal capital gains tax on appreciation in the value of the art. If they still own the art upon their death, the value becomes included in their taxable estates at the full fair market value as of the date of death. Several states also impose separate death taxes at rates of up to 20%. While many collectors are advised to reduce the value of their estate by selling their artwork, many favor enjoying their collection of art until the end of their lives.

What's next?

Estate and tax planning for collectors must be done carefully and with full awareness of the rules and opportunities that exist. Contact your Anchin relationship partner or Gary Castle in Anchin's [Art Specialty Group](#), at 212.840.3456.

For more information on this legal case, read the full article [here](#).

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