

## **APPRAISAL TERMS AND DEFINITIONS**

### **ACTUAL CASH VALUE (ACV):**

This term refers to Market Value and is generally synonymous with payment restricted to cash. Some insurance policies also define ACV as the replacement cost minus any depreciation.

### **ADMINISTRATOR:**

This is someone appointed by the court if the decedent died without a will. If no executor is named in the will or if the person named cannot or will not serve.

### **AFFIDAVIT:**

An affidavit is a statement used in an appraisal which explains what was done in the appraisal. An affidavit is frequently called the appraiser's certification.

### **ALTERNATE VALUATION DATE:**

A term most frequently identified with estate appraisals. At present it is the date six months to the day after the date of death on which the fiduciaries of the estate can choose, legally, to have the estate valued rather than the date of death. In this manner, the IRS allows the estate the choice of a date which may be more advantageous in the event that the market or price for the objects in question has changed significantly, usually declining in value materially, from the date of death to the date six months after the death. If the alternate date of death is chosen, then all items in the estate must be valued on that alternate date, not just the personal property.

### **ANTIQUE:**

As defined by the United States Customs Department, any object that is 100 years old or older is an antique.

But the term is broadly interpreted with its definition varying from product to product and year to year.

Generally speaking, the following are the most accepted definitions: 1.) An item collected or desirable due to its rarity, condition, utility or some other unique feature that is older than 100 years. Motor vehicles, in contrast, are considered antiques in the US if they are older than 25 years and some electronic gadgets of more recent vintage may be considered antiques; 2.) Ancient art such as sculptures, gems, medals, seals collected from Greek and Roman civilizations.

### **APPOSITE VALUE:**

This is a value that is fitting, suitable and appropriate for an object.

**APPRAISAL:**

As defined by the Appraisal Standards Board (ASB) in the Uniform Standards of Professional Appraisal Practice (USPAP) is “the act or process of developing an opinion of value.” According to the ASB, value can “be numerically expressed as a specific amount, as a range of numbers, or as a relationship (e.g., not more than, not less than) to a previous value opinion or numerical benchmark (e.g., assessed value, collateral value).” It should be noted that USPAP states that calling an appraisal something else such as “valuation” or “valuation estimate” does not remove it from being considered as an appraisal if an opinion of value is given. The document contains a valuation executed for a specific purpose and follows specified guidelines.

**THE APPRAISAL FOUNDATION:**

This is an independent organization established in 1987 by the US government with members from various appraisal organizations. The Foundation now receives federal funds and is empowered by Congress to establish standards for all aspects of the appraisal profession.

**APPRAISAL REPORT:**

This is the actual document in which the opinion of value is stated. Appraisal reports can be written, which is always preferable, or oral. Both, according to USPAP, are subject to specific development and reporting requirements.

**APPRAISAL METHODOLOGY:**

This is the procedures and rules for executing properly prepared appraisal reports.

**ARBITRATION:**

This is a way to settle a dispute. Arbitration is a proceeding in which a dispute is submitted to one or more impartial parties for a binding determination made by the arbitrator. Arbitration is usually quicker, simpler and cheaper than litigation but the perceived disadvantage is that there is no appeal. With a few narrow exceptions, like fraud, there is no way to appeal an arbitrator’s decision.

**APPRAISER:**

This is the individual who values the items and prepares the appraisal document.

**APPRECIATION IN VALUE:**

This is an increase in value over time.

**ART ADVISORY PANEL:**

The IRS Art Advisory Panel is composed of several generic groups of professionals: IRS staff appraisers, museum directors and curators, art and antiques dealers, and auction house employees. The full panel generally meets twice a year, while the IRS staff appraisers work full time reviewing appraisals that are submitted to the IRS and preparing those appraisals deemed appropriate for submission to the whole panel. The IRS appraisers are full time government employees while the other members of the panel serve two year terms. Generally speaking, the Panel reviews objects valued individually above \$20,000. However, the Panel has been known to review as well objects valued considerably under that amount.

**ASSEMBLED, ASSOCIATED OR MARRIED PIECES:**

This term is used to describe a piece of furniture or other piece of decorative arts which has been composed of parts from various pieces of furniture or woods from the same or other periods, e.g., a dressing table or lowboy with a chest added to the top to make it into a tall chest or highboy; a refectory table with a 17<sup>th</sup> century base and an 18<sup>th</sup> century top from another table. This is beyond a mere restoration and is almost an attempt at deception unless the marriage is clearly identified as such when sold.

**ASSUMPTIONS AND LIMITING CONDITIONS OF THE APPRAISAL:**

This is a listing in the appraisal document of those elements detailing the parameters of the appraisal document, the responsibilities of the appraiser and the information and procedures for which the appraiser does not assume responsibility. It is generally appropriate for the appraiser to explain why he/she has chosen to exclude specific elements as part of the description of limiting conditions. According to USPAP, the appraiser is required to identify and explain the circumstances and appropriateness of any assumptions, extraordinary assumptions, hypothetical and limiting condition that have been used in an appraisal assignment.

**AUCTION REPLACEMENT VALUE (ARV):**

This term, usually for insurance purposes, is defined as a reasonable amount in terms of US dollars which would be required to replace a property with another of similar age, quality, origin, appearance, provenance and condition within a reasonable length of time in an appropriate and relevant auction market. Since the client regularly and routinely buys at auctions, the appraiser rarely examines the retail market for this valuation. When applicable, sales and or import tax, commissions and or premiums are included in this amount.

**AUTHENTIC:**

This term is used to describe pieces of furniture, decorative arts or fine arts which are of the period, right and have no restorations or alterations.

**BLANKET POLICY:**

This term is used by insurance companies when articles of personal property are grouped together and given a total value. A blanket policy may be based upon an appraisal or it may be a value the insured requested.

Typically a blanket policy is subject to limitations in values and carries a higher premium than one where items are scheduled individually.

**BLOCKAGE DISCOUNT:**

This principle is applied to the valuation of large groups of similar and like items which, if sold during a limited period of time, would result in a depression of the prices one might expect if the items were sold separately in an ordinary market cycle. Consequently, blockage discount is narrowly defined as the percentage the appraiser would apply to reduce the total valuation to compensate for this situation. Blockage discounts are normally applied to estate valuations, especially in the case of artists' estates where large inventories of the art works of single artists must be valued. However, all appraisers should consider the applicability of blockage discounts when valuing large groups of similar and like items. Blockage is a discount or reduction in value necessary to allow a large group of similar objects to be absorbed by the market or sold at a specific date of valuation.

Sometimes it may be necessary to offer an economic inducement in the form of a reduced price to stimulate the potential buyers in a given marketplace to purchase all the objects being offered for sale at one time. For example, one may have to offer two for the price of one, four for the price of one, one hundred for the price of one or whatever it may take to sell all the works. The term blockage discount comes from the world of finance where shares in publicly traded companies are frequently offered at discounted prices when the volume of the offering is too large for the market to absorb it at the full, undiscounted, price.

**BURNT:**

When an item is presented at auction and fails to sell, it is said to be burnt.

**BUYER'S PREMIUM:**

This is the percentage of the bid or "hammer" price paid by the buyer to the auction when purchasing an item.

The fee ranges between 5 and 25%. See also Seller's Premium and Hammer Price.

**BUY IN (BI):**

This occurs at auction when an object does not meet its reserve price and fails to sell.

**CAPITAL GAINS TAX:**

This tax is assessed on profits realized from the sale of a capital asset such as stock, bonds or personal property.

**CATALOGUE RAISONNE:**

This is a scholarly catalogue which should include all the known works or all the known works in a specific medium by the artist at the time of compilation of the book. Essential information identifying the works are included making this the definitive reference book.

**CAVEAT EMPTOR:**

“Let the buyer beware.” This term means that the seller is not held responsible for the quality or authenticity of the goods being sold.

**CERTIFICATE OF AUTHENTICATION/AUTHENTICITY:**

This is an official document which certifies that the piece in question is right and of the period and by the artist designated. Some states including New York require specific information be included on a Certificate of Authentication.

**CERTIFIED APPRAISAL:**

This is the document prepared by a certified member of an appraisal organization.

**CERTIFIED APPRAISER:**

One who is awarded this designation by a testing and self-regulating appraisal organization. For the AAA, the appraiser is to pass the certification examination in appraisal theory and methodology and the test in an area of specialization.

**CIRCA:**

“About” in reference to age; e.g. circa 1920 when describing the age of an object means that it was made around that time period give or take 10 years.

**CLEAR TITLE:**

Good ownership one free from encumbrance, obstruction, burden or limitation

**COLLECTIBLE:**

This term usually describes any item that has been mass produced and usually machine manufactured. Today collectibles are typically manufactured items designed specifically for people to collect such as sports' cards and beanie babies.

**COMPARABLES:**

Finding similar and like objects to the one being appraised is the most commonly applied approach to evaluation. An examination and analysis of the sales figures for similar works or comparable objects allows the appraiser to arrive at the appropriate appraised value for the one under consideration. These figures are mandatory for most donation appraisals and may be provided by the appraiser in other situations when the appraiser judges them to be necessary.

**CONSERVATION:**

This is the treatment and preventative care of an object so that its condition does not deteriorate and the object can remain stable. This is the preservation of a work of art involving careful maintenance and protection of the item using materials and procedures which will have no adverse affects on the piece. See **PRESRVATION** and **RESTORATION** also.

**CONSULTING EXPERT:**

This person is an appraiser who provides technical expertise and background knowledge to the attorney and client in a litigious situation. Such expertise may be related to the quality of the object, the value of the object or the methodology of the opposing appraiser. The work of the consulting expert is considered privileged and is not discoverable in court because it falls under the Attorney Work Product Privilege.

**COURT CASES:**

When the taxpayer has been unable to negotiate a compromise with the IRS the taxpayer may chose to litigate. Taxpayer suits against the IRS have the right to be pursued in all parts of the judiciary system. They can be appealed up to the Supreme Court. While the decisions reached in these cases are specific to the individual cases, they may cause the IRS to modify its procedures and requirements. All appraisers would be well advised to study the relevant cases carefully since the decisions reached may cause the appraiser to modify the way IRS appraisals are formulated and appraisal reports are written. Court cases are also sometimes involved with divorce, insurance or damage and loss of value appraisals when the parties cannot agree on valuation or any other matters under discussion.

**COVER LETTER:**

A cover letter is a letter accompanying the appraisal which does NOT include the value of the appraised items.

**CRAQUELURE:**

This is the result of the uneven movements of canvas caused by the natural shrinking of the medium during the aging process. Craquelure usually appears on the surface in a spider web like series of cracks. The surface can be stabilized by relining the canvas and restoring the cracks.

**CRAZING:**

This is the fine and random cracking extending only through the surface of pottery, porcelain, stone or concrete. The cracking can appear along or perpendicular to the length in polygonal shapes or as random spider webs. Crazing is due to differential contraction between the surface and interior sections often due to changes in temperature. Crazing has no structural or durability significance and does not by itself constitute a cause for rejections. It can, however, mark the beginnings of disintegration. All ceramic and concrete products and many natural stones under varying conditions of moisture and temperature are frequently subject to crazing. In some Asian potteries and porcelains crazing is produced in a foreseen, admired and regulated manner.

**CULTURAL PATRIMONY:**

These are objects involved in the Holocaust, items from past and present wars which were pillaged or removed from their homeland or owners and those objects taken and robbed from underdeveloped and poor countries. Today there is an effort to prevent the continuous exploitation and exporting of these treasures.

**DEPRECIATION IN VALUE:**

This is a decrease in value over time.

**DIMS:**

This is an abbreviation for dimensions.

**DISCLAIMER:**

The disclaimer is an explanation of facts either contained in the appraisal for which the appraiser does or does not "disclaim" or deny responsibility. This is a listing of elements for which the appraiser does not accept responsibility.

**DISCLOSURE/FULL DISCLOSURE:**

*Disclosure* is the passing of information that is secret, not previously known (i.e., revelation) or which is believed not to have been known previously. In an appraisal situation, this would include disclosing confidential information shared by the client with the appraiser.

*Full Disclosure*, on the other hand, refers to the appraiser's obligation to state all the work that was done or not done in generating the appraisal report or any other factors which may, at a later date, alter the valuation conclusion in the report.

**DROIT MORAL:**

French term for giving the authority to authenticate works of art, literally "moral right."

**DUE DILIGENCE:**

A measure of prudence or activity that is properly expected from and ordinarily exercised by a reasonable and prudent person under the particular circumstances; not an absolute standard but dependent on the relative facts of the particular situation. In an appraisal situation, this refers to the amount of work one would expect an appraiser to perform in order to arrive at a credible conclusion.

**ESCHEAT:**

This is the common law doctrine that operates to ensure that property is not left in limbo and ownerless upon the death of the owner. It can be the forfeiture of all property including bank accounts to the state treasury if it appears certain that there are no heirs, descendants or named beneficiaries to take the property upon the death of the last known owner.

**EQUITABLE DISTRIBUTION:**

This term is generally used in a divorce situation or in the dissolution of a domestic partnership and is a fair division of assets between two or more people. It is the process through which the assets of the partners or family members are divided in a manner which is equitable based on several factors including the appraised values of the objects in question.

**EXECUTOR OR EXECUTRIX:**

This is the person named in a decedent's will to administer the estate and distribute the properties as the decedent directed and in an equitable manner.



**FA (FINE ARTS):**

This is the acronym for Fine Arts and may be required by insurance companies to designate those objects on an insurance appraisal which include decorative art and antique objects such as furniture, metals, textiles, drawings, paintings, prints and sculpture as opposed to Fine Arts Breakable (FAB) or Sterling Silver (SS).

**FAB (FINE ARTS BREAKABLE):**

This is the acronym for Fine Arts Breakable objects and may be required by insurance companies to designate those objects on an insurance appraisal such as glass, porcelain, marble and mirrors as opposed to Fine Arts (FA) or Sterling Silver (SS) objects which may be subject to a higher insurance premium.

**FAIR MARKET VALUE (FMV):**

FMV is usually for IRS purposes and is defined by IRS Section 1.170 and 20.2031 (b) as “the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.” According to Technical Advisory Memorandum 9235005 (May 27, 1992), fair market value should include the buyer’s premium. IRS Section 20.2031 (b) continues “the fair market value of an item of property includible in the decedents’ gross estate is not to be determined by a forced sale price. Nor is the fair market value of an item of property to be determined by the sale price of that item in a market other than that in which such item is commonly appropriate. Thus, in the case of an item of property includible in the decedent’s gross estate which is generally obtained by the public in the retail market, the fair market value of such an item of property is the price at which the item or a comparable item would be sold at retail.” (Treasury Regulation Section 1.170A – 13) (3) (1988) it should be noted that the IRS has changed the definition slightly in various sections of the Revenue Code and other printed literature. In addition, Pamphlet 561 has also added the following to the definition: “If you put a restriction on the use of property you donate, the FMV must reflect that restriction.”

**FAKE:**

This is an object that has been made to deceive and is sold as something that it is not.

**FINE ARTS INSURANCE POLICY:**

An insurance policy which covers the fine arts contents of a home. Fine arts are generally defined broadly and can include not only two-dimensional art and sculpture but also decorative arts, furniture and collectibles.

These policies may require individual scheduling of items or a blanket policy to cover all the items. Fine arts

insurance policies generally vary from insurance carrier to carrier; one would be well advised to examine each policy closely.

**FEDERAL TAX REGULATIONS:**

These regulations are published by the Department of Treasury which has oversight authority over the Internal Revenue Service. The regulations are published from time to time to explain the tax law in the Internal Revenue Code. It offers explanation and examples illustrative of the principles stated in the revenue code.

**FORCED LIQUIDATION VALUE (FLV):**

This is the lowest range "NET" value, usually for a quick and forced sale purpose. It is defined as "the most probable price in terms of cash, or other precisely revealed terms, for which the property would change hands if sold immediately, without regard to the relevant market place.

**FORGERY:**

This is a copy executed by someone other than the original artist with the intent to present the object as the original. This is the generic term for both fakes and frauds.

**FOXING:**

Brown spots caused by acid on paper or textiles.

**FRAUD:**

This is a work of art which has been altered, misattributed or otherwise disguised or misrepresented to be what it is not.

**FRENCH GRID SYSTEM:**

The name given to a system by which an object is divided into quadrants such as square inches or centimeters and a value is assigned to an individual quadrant. Presumably the value of the whole can then be determined by multiplying the number of quadrants by the value assigned to one unit. Appraisers of personal property are discouraged from using this methodology unless a clear and compelling rationale for its use can be established.

**GOOD FAITH EXCLUSION:**

This is an IRS term. Under the law governing donation appraisals, an appraiser who writes an appraisal which is 150% above which the IRS determines as appropriate can be subject to sanctions. However, if the Director of Practice determines that the appraisal report in question was written in good faith, the Director has the right to exclude the appraiser from the specified sanctions.

**HAMMER PRICE:**

This is the actual bid price at auction as the hammer falls and does not include the buyer's premium. See also Buyer's Premium and Seller's Premium.

**HIGHEST AND BEST USE:**

The term is commonly used in real estate property appraising (See *Sacramento Southern Railroad Company vs. Heilbron*, 156 Cal 408) and has been carried over by some into the realm of personal property. Basically the term means that, when feasibly possible, one should evaluate personal property in the most appropriate marketplace where it will bring the highest price. The term typically is defined as the examination of the use of the property, which will result in its highest value. In an appraisal this cannot be merely theoretical but must be realistic in that the use must be legal, physically achievable and financially feasible. Oftentimes personal property appraisers refer to highest and best use as the highest attainable price for an object. Many personal property appraisers have trouble with this definition and object to the carry over from real property. While the concept of use may be appropriate for depreciable personal property such as machinery and equipment, it has questionable relevance in the world of appreciable personal property such as art, antiques and collectibles. While some appreciable personal property can be "used," the motivation of the majority of collectors is not structured by the object's functional purpose but rather its aesthetic appeal. With this in mind, it has been argued that one does not begin to apply a term which is relevant to exceptions but rather terms applicable to the majority of situations are more appropriate. It has been suggested that the term "highest attainable price" may be the better term for appreciable personal property.

**HYPOTHETICAL APPRAISALS:**

This is the type of appraisal done when the item is no longer in the possession of the owner because of a fire, flood or other loss. When the appraiser cannot examine the object or is only given photographs of the non-existent object that the appraiser states that the appraisal is hypothetical or written on the basis of the information supplied usually by the client. The appraiser's report is based upon a supposed situation or group of assumptions.

**HYPOTHETICAL CONDITIONS:**

According to USPAP, the definition of a hypothetical condition is that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal or economic characteristics of the subject property or about conditions external to the

property such as market conditions or trends or about the integrity of data used in an analysis. Appraisals of damaged objects or appraisals done from a photograph used hypothetical conditions. A hypothetical condition may be used in an assignment only if 1) the use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis or for purposes of comparison; 2) the use of the hypothetical condition results in a credible analysis and 3) the appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.

#### **IMPAIRED FAIR MARKET VALUE:**

Putting a restriction on the use of the property being donated implies that the fair market value is restricted and reduced.

#### **IN THE STYLE OF:**

Means that an item is not of the period in which it was supposed to have been made but rather was made at a **later time as a copy of the earlier piece.**

#### **INPAINTING:**

Similar to overpainting, this is a technique commonly used by conservators to unify a painting which has suffered paint loss. Inpainting is paint applied over paint losses on a canvas or other media.

#### **INTERNAL REVENUE CODE:**

This is the tax law which has been structured and passed by Congress and signed by the President of the United States and remains the ultimate authority on tax matters until it is changed or amended by Congress. Internal Revenue Regulation 1.170.A relates to Income Tax Charitable Deductions and allows as a deduction any charitable contribution which is made during the taxable year. Section 1(c) (1) provides that if a charitable contribution is made in property other than money the amount of the contribution is generally the fair market value of the property at the time of the contribution. Section 1(c)(2) provides that the fair market value is the price at which the property would change hands between the willing buyer and the willing seller with neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts. Section 13 states information regarding the record keeping and return requirements for deductions for charitable contributions. For a deduction for a charitable contribution of property in excess of \$5,000, Section 13(c) requires that a qualified appraisal be prepared. Internal Revenue Regulation 20.2031 relates to the Estate Tax. Section 2031 provides that the value of the gross estate of a decedent is determined by including the value at the time of death of all property wherever it is situated. Section 20.2031-1(b) provides that the value

of the property is includible in a decedent's gross estate is its fair market value at the time of the decedent's death. Section 2032(a) provides that the executor may elect to determine the value of all the property in the gross estate as of six months after the decedent's death. This is known as the Alternate Date of Valuation. Property distributed, sold, exchanged or otherwise disposed of within the six months after death must be valued as of the date of distribution, sale, exchange or other means. Section 20.2031-6(b) provides that if there are items among the personal effects or the household, articles with artistic or intrinsic value of a total in excess of \$3,000, an appraisal, under oath, must be filed with the estate tax return. Section 20.2031-6(b) provides that if expert appraisers are employed, care must be taken to see that the appraisers are reputable and of recognized competency to appraise the particular class of property involved.

#### **JOINT AND FRACTIONAL GIFTS:**

On occasion a number of people with equal or unequal ownership may donate an object or a group of objects to a non-profit institution. Separate appraisal with separate values must be made for each of the donors.

#### **LAUNDRY LIST:**

This refers to a listing of object, similar to an inventory with no description and no information regarding the object other than exactly what it is without any measurements. Listing objects in this cursory and seemingly off hand manner is inappropriate for a professional appraiser to use when preparing an appraisal report.

#### **LETTER OF TRANSMITTAL:**

This letter, addressed to the client accompanying the appraisal, is a summary of the appraisal. This letter must include all of the elements of USPAP including the name of the client, the purpose of the appraisal, the date of the appraisal and the effective date of the appraisal, for whom the appraisal is being executed, where and when the property was seen, value and the definition of value used, the valuation methods and market analyses, the number of items appraised, the total value of those items, the number of pages in the report, the statement of disinterest on the part of the appraiser, the statement of the fee structure, the credentials of the appraiser, the statement of compliance with a given code of ethics, a statement that the report can only be presented in its entirety, a statement that the appraisal can only be used by the party or parties for whom it was written and only for the stated purpose and the appraiser's tax identification number (the latter only for IRS donation appraisals). In the instance of a charitable donation appraisal, the appraiser may include the name of the donee institution in the letter. All assumptions, extraordinary assumptions, hypothetical and limiting conditions must also be included in a transmittal letter.

**LINED:**

This term usually refers to a painting on canvas that has been supported by another layer of canvas due to the deterioration of the original support.

**LIQUIDATION VALUE:**

This value is based on the price realized in a sale situation under moderately forced or limiting conditions and under time constraints. This action may be initiated by the owner or a crediting institution. It is implicit in this definition that Liquidation Value will generally be lower than other types of valuation.

**LKQ (LIKE, KIND, QUALITY):**

This abbreviation stands for the insurance terms LIKE, KIND, QUALITY and is the equivalent of an object with comparable attributes.

**Long Term Capital Gains Property:**

This is an IRS concept used in conjunction with donation appraisals. It refers to property that has been held for a designated period of time, after which the owner, upon donation, is entitled to a tax deduction based on the object's fair market value on the specified dates of valuation.

**MARGINAL UTILITY:**

In economics, under the mainstream assumptions, the marginal utility of a good or service is the increase in usefulness obtained by consuming or using one more unit of that good or service. The concept is derived from attempts by economists to explain the determination of price. The consumer's decision to buy is not all or nothing. Instead, it is a decision to buy or not to buy just one more unit. That means it is a mistake to look at the total utility of the two goods as the basis for demand. The total utility is irrelevant to the decision to buy or not to buy one more unit. What is relevant to any decision is what is gained or lost depending on how the decision is made and only a part of the total utility is gained or lost as a result of the decision to buy or not to buy one more unit of the good. Economists call the part of utility that is gained or lost in the decision to buy one more unit the marginal utility

**MARITAL DEDUCTION:**

This is a tax provision which allows one spouse to transfer upon death an unlimited amount of property to his/her spouse without incurring estate or gift taxes.

**MARKET VALUE (MV):**

This value is the most probable price at which a property would sell in a competitive and open marketplace where the sale needs to be consummated within a specified time frame and neither the buyer nor the seller are under a compulsion to buy or sell. In addition, the object to be sold needs to have had sufficient market exposure for a reasonable amount of time and payment is made in terms of cash in American dollars or comparable financial arrangements are made. This term is essentially the same as fair market value except this term does not have the provision stating that there is no compulsion to buy or sell within a specified period of time. USPAP cautions appraisers to identify the exact definition of market value and its authority applicable in each appraisal completed for the purpose of market value.

**MARKETABLE CASH VALUE (MCV):**

This is a net value usually for equitable distribution, resale or estate planning purposes. The value realized, net of expenses, by a willing seller disposing of property in a competitive and open market to a willing buyer, both being reasonably knowledgeable of all relevant facts, and neither being under constraint to buy or sell.

Marketable cash value takes into consideration insurance, dealer commissions, advertising, travel and shipping expenses that may be involved in the sale. Implicit in this definition is that a sale takes place within an agreed upon time period with a specified method of payment and that the sale take place in the best available marketplace and that sufficient time is allowed to advertise the property properly. This term is usually for equitable distribution, when tangible property may be exchanged for cash or other financial arrangements or resale or estate planning purposes.

**MARRIED, ASSEMBLED OR ASSOCIATED PIECES:**

See **ASSEMBLED** (Above)

**MEDIATION:**

This is a way to settle a dispute and is a process by which parties to a dispute voluntarily select an impartial third party to facilitate a resolution of the issues by the parties themselves. The need for mutual agreement is deemed by some to be the major weakness in the mediation process. If one of the parties is unreasonably stubborn, it will be difficult to reach an agreement.

**MEDIUM:**

There are at least four definitions of this term: 1.) The material the item is made from or the art is produced upon and may include white or black paper, canvas, board, cel (acetate), sculptures; 2.) The specific tool and

material used by an artist, e.g., brush and oil paint, chisel and stone; 3.) The mode of expression used by the artist, e.g., painting sculpture, the graphic arts; 4.) A liquid that may be added to a paint to increase its manipulability without decreasing its adhesive, binding or film forming properties.

**METHOD OF CONSTRUCTION:**

This describes the way or ways in which an object has been made.

**MICROSCOPY:**

This is the in-depth microscopic evaluation of an object to determine its age and/or authenticity.

**MINT CONDITION:**

This term describes artwork or objects which are in the same condition as when they were originally finished, printed, made. A term taken from coinage, this is the same condition as when it was minted.

**MOST APPROPRIATE MARKET OR MARKETPLACE:**

This is the venue in which the appraiser determines an object can be sold most easily and at the highest price. Frequently in the case of personal property, where comparables are scarce, the most appropriate market can be a combination of auction and private gallery sales.

**NO COMMERCIAL VALUE:**

This usually refers to an object, a group of objects for which it is not reasonable to assign a monetary value, usually in estate situations and this might include the mattress and box spring.

**OBJECT ID<sup>TM</sup> :**

A generic classification methodology codified by the Getty Information Institute (Getty Museum) which lists nine fields for the minimum description of all works of art.

**OF THE PERIOD, RIGHT or CORRECT:**

An object which has been made at or during the time ascribed to it.

**OPPORTUNITY COST:**

The advantageous price one would pay for purchasing in bulk.

**ORDERLY LIQUIDATION VALUE (OLV):**

This term, a low range net value usually for quick sales purposes, is defined as the most probable price in terms of cash or other precisely revealed terms for which the property would change hands under required and limiting conditions in an orderly manner and generally advertised and with knowledgeable buyers advised.



**ORPHAN:**

This term refers to a single piece left from a set or a pair.

**OVERPAINTING:**

This explains when paint is applied to a painting over already dry areas of paint. Sometimes used to include the original artist's glazes and sometimes especially used in conservation, this term means only later restorers' work. Overpainting is similar to inpainting (see above) except only inpainting fills in lost areas without covering the original paint.

**OXIDATION:**

This is the binding of oxygen to a metal to form rust or the binding of oxygen to wood to darken it.

**PARTIAL APPRAISALS:**

This type of appraisal is an estimate of the value of the object or objects as requested by the client wherein the client does not want a written professional, thoroughly researched appraisal document. The appraisal is usually presented in a verbal form or the written document does not follow the proscribed proof of valuation or the necessary boiler plate language to protect the appraiser. If the appraiser has an Errors and Omission insurance policy, he/she may be in violation of that policy by presenting a partial appraisal. Using a POV, discussed herein, is advisable. N.B. This is in strict opposition to USPAP.

**PATINA:**

This is the buildup of a film produced by oxidation on the surface of an object. This term also refers to the final coating that is applied to a bronze by the artist or the foundry crafting the bronze.

**PERSONAL PROPERTY:**

Defined by USPAP as "identifiable tangible objects that are considered by the general public as being "personal" for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate." USPAP does not mention that there are two general classifications of personal property: depreciable personal property or property that is expected to depreciate in value over time, and appreciable personal property or property that has the potential of increasing in value over time. Most machinery and equipment will depreciate in value once they are used, while art, antiques and collectibles have the potential of increasing in value as the demand in the collectors' marketplace increases as time goes by.

**PREMIUM:**

See buyer's premium, seller's premium and hammer price.

**PRESERVATION:**

Related to conservation and restoration, preservation actions are taken to prevent further changes or deterioration in objects, sites or structures. See **CONSERVATION** and **RESTORATION** also.

**PRIMARY MARKET:**

The primary market is one created either by the maker or agent of the maker when an object is sold for the first time, usually in galleries or stores. The secondary market is the venue for the sale of an object between a seller and a buyer with neither of having participated in the creation or initial sale of the object. In the instance of multiples, a valid secondary market cannot exist while the maker or his agent retains a supply of the original offering.

**PRIMARY SOURCE:**

This material, used in research and data comparisons, is from a first hand witness and includes auctions attended, galleries, art fairs and stores visited and actual comparables witness by the appraiser.

**PRIMARY WOOD:**

A piece of period furniture is usually made from two different types of woods, the first being the primary wood or the use of more of this wood which is seen on the outside as opposed to secondary wood, usually reserved for use in the interior of the case.

**PRINCIPLE OF CHANGE:**

Change recognizes the shifting importance of other principles and explains the cycles of market development, stabilization, decline and renewal

**PRINCIPLE OF CONTRIBUTION:**

This term often relates to the "good, better, best" qualities of an item

**PRINCIPLE OF PROGRESSION:**

This term refers to the increase in interest/value that lower valued items may realize from their association with higher value items.

**PRINCIPLE OF REGRESSION:**

This term states that higher valued items may suffer a decrease in value from association with lower-valued properties.

**PRINCIPLE OF CONTRIBUTION:**

This term often relates to the “good, better, best” qualities of an item

**PRINCIPLE OF REVERSIBILITY:**

Whatever process is used to restore a painting or a piece of furniture, pottery or porcelain needs to be able to be reversed so that if, in time, what was done is shown not to be appropriate then that restoration can be removed and the object can be returned to the state in which it was prior to the restoration job.

**PRISTINE/MINT/PROOF CONDITION:**

Excellent condition, as if new and usually in its original packaging or box

**PRIVATE LETTER RULINGS:**

From time to time the IRS sets forth specific rulings in response to requests from individual tax payers. These rulings are specific to the case by case situations presented by the taxpayer. While these rulings cannot be used as vehicles for precedent setting, they do reflect the reasoning of the IRS and give clear indications of how the IRS will react if a similar situation in another case is brought to their attention. All taxpayers and appraisers would be well advised to study these rulings closely.

**PRIVATE TREATY SALE:**

This is a sale which occurs following an auction where the object being sold did not sell at the event and sells privately thereafter.

**QUALIFIED APPRAISER:**

A Qualified Appraiser is an individual who has earned an appraisal designation from a recognized professional appraiser organization or has otherwise met minimum educational and experience requirements set forth in regulations prescribed by the IRS. The minimum education and requirements are met if the appraiser has successfully completed college or professional level course work that is relevant to the property being valued; obtained at least two years of experience in the trade or business of buying, selling or valuing the type of property being valued; regularly performs appraisals for which the individual receives compensation; and meets such other requirements as may be prescribed by the IRS in regulations or other guidance.

**QUALIFIED APPRAISAL:**

A Qualified Appraisal is an appraisal conducted by a qualified appraiser in accordance with generally accepted appraisal standards. The IRS further states that an appraisal will be treated as having been conducted in accordance with generally accepted appraisal standards if it is consistent with the substance and principles of

the Uniform Standards of Professional Appraisal Practice also known as USPAP. For donation purposes the appraisal report must be prepared by a qualified appraiser not more than sixty days before the date of the contribution of the appraised property. The appraisal must be signed and dated by a qualified appraiser who charges an appraisal fee that is not based on a percentage of value and that contains the following information: a detailed description of the property; the physical condition of the property; the date or expected date of the contribution; the terms of any agreement or understanding entered into or expected to be entered into by or on behalf of the donor that relates to the use, sale or other disposition of the property contributed; the name, address and taxpayer identification number of the appraiser; a detailed description of the appraiser's background and qualifications a statement that the appraisal was prepared for income tax purposes; the date on which the property was valued; the appraised fair market value of the property; the method of valuation used to determine the fair market value; the specific basis for the valuation including any comparable sales transactions and a description of the fee arrangement between the donor and the appraiser.

**REAL PROPERTY:**

This refers to land and the building/s attached to the land. For a building to be part of real property, the land and the building must share the same title. If not, the building becomes part of personal property.

**RECTO:**

This refers to the right hand page of a book or the front side of a leaf or picture, on the other side of **VERSO**.

**REFINISHED CONDITION:**

This occurs when a piece has been stripped or skinned of its original patina and now sports a new finish.

**REFRESHED CONDITION:**

This is a relatively new term which refers to the repainting of a piece of furniture.

**RELATED USE RULE:**

This IRS rule is applied to charitable contributions and states that to receive the full allowable tax deduction a donor must donate property to an institution whose mission explicitly includes the acquisition and use of such property.

**REPLACEMENT VALUE:**

The amount it would cost to replace an item with one of similar and like quality purchased in the most appropriate marketplace within a limited amount of time. Replacement value is applied, almost exclusively, to insurance policies and is generally the highest valuation figure for personal property.

**REPRODUCTION:**

This term refers to a piece made as an exact copy or in the mirror image of the original of a period piece but is not made to deceive.

**RESALE VALUE:**

This is the price at which the item can be sold in the marketplace.

**RESERVE:**

This term refers to the minimal amount for which a consignor agrees to sell a work for at auction. By law, the reserve must be at or below the low estimate. Typically a reserve is about 50 to 25% below the low estimate.

**RESTORATION:**

This is the process whereby, if an object has lost a part and that missing part or piece is replaced or restored to simulate the original the object can be returned as closely as possible to its original condition. See

**CONSERVATION** and **PRESERVATION** also.

**RETAIL REPLACEMENT VALUE (RRV):**

This is the highest value, usually for insurance purposes and is defined as the highest amount in terms of US dollars that would be required to replace a property with another of similar age, quality, origin, appearance, provenance and condition within a reasonable length of time in an appropriate and relevant market. When applicable, sales and or import tax, commissions and or premiums are included in this amount.

**RETAIL VALUE:**

Used to establish a price guideline for retail pricing, the appraised retail value is derived from retail replacement value. It is defined as a reasonable amount in terms of US dollars that would be required to purchase a property of similar age, quality, origin, appearance, provenance and condition with a reasonable length of time in an appropriate and relevant market. Unlike retail replacement value, retail values do not include any fees or additional costs such as taxes, framing, conservation, restoration and additional commissions.

**RETAIL REPLACEMENT VALUE (RRV):**

This term is defined as the highest amount in terms of US dollars that would be required to replace a property with another of similar age, quality, origin, appearance, provenance and condition within a reasonable length of time in an appropriate and relevant marketplace. Usually used for insurance purposes, also included in this amount, when applicable are sales and/or import tax, commissions and/or premiums.

**REVENUE PROCEDURES (REV. PROC.):**

Revenue Procedures are termed “guidelines” by the IRS. They set forth a methodology for dealing with general situations. The taxpayer and the appraiser would be well advised to take these guidelines seriously and to view them as IRS requirements rather than elective procedures which the term “guideline” may indicate to the inexperienced appraiser. The IRS expects these guidelines to be followed and the courts have indicated that this expectation is reasonable. In addition the IRS has been known to apply these guidelines to appraisal situations which may not be specifically addressed in the guidelines themselves. For example, Rev. Proc. 66-49 sets forth guidelines for donation appraisals; however, the IRS has been known to ask for the reporting elements stated in these guidelines to be followed for estate appraisals as well.

**REVENUE RULINGS:**

These rulings complement the private letter rulings discussed above. While the private letter rulings are directed to specific cases brought to the attention of the IRS, the revenue rulings set forth the general principles addressed in specific private letter rulings. They also give tax consequences applicable to the general situations addressed in the rulings.

**RIGHT, CORRECT or OF THE PERIOD:**

This term indicates that the object that is of the period, by the ascribed artist and is not a reproduction.

**SALVAGE VALUE (SV):**

This is a valuation term implying abandonment by the rightful owner in which the person recovering the property may be entitled to a pre-agreed percentage of any net price realized in a future sale. Although there have been some exceptions, salvage is generally the lowest or rock bottom price realized in a sale situation. This is the net price in cash or other precisely revealed terms for which the property would change hands if sold immediately without regard to the relevant marketplace and appropriate use. In certain cases, this may be a negative value because labor and other costs may be required to disassemble and dispose of the property in a **quick, forced and expedient manner.**

**SCHEDULED ARTICLES:**

This term is used by insurance companies when articles of personal property are individually listed, described and valued on an insurance policy. Although some insurance companies will accept a receipt of a recent purchase, the schedule is typically based on an appraisal. Typically scheduled items carry a lower insurance premium than items which are under a blanket insurance policy.

**SECONDARY MARKET:**

This term refers to the marketplace where a used object is bought and sold. Once an item is no longer available from the original source, it is considered a secondary market item and usually refers to the auction market and is in no way associated with the value or the condition of the object. The secondary market is the venue for the sale of an object between a seller and a buyer with neither of them having participated in the creation or initial sale of the object, usually through auction but can also be in galleries. In the instance of multiples, a valid secondary market cannot exist while the maker or his agent retains a supply of the original offering.

**SECONDARY SOURCE:**

Examples of secondary sources utilizing exact primary sources in research and data comparison are ArtNet, ArtFact, P4a, Gordonsart, Art-Sales-Index, newel.com and other Internet research tools.

**SELLER'S PREMIUM**

This is the percentage of the bid or "hammer" price paid by the seller to the auction when selling an item. The fee ranges from nothing to 35% and may be more negotiable than the Buyer's Premium. See also **BUYER'S PREMIUM** and **HAMMER PRICE**.

**SENTIMENTAL VALUE:**

This is never a monetary value but rather an emotional valuation not based on market factors or aesthetics.

**SKINNED CONDITION:**

This term refers to a piece of furniture which has been stripped of its original patina and also describes a paper condition where skinned paper indicates the paper has lost a layer of fibers.

**SS (STERLING SILVER):**

This is the acronym for sterling silver objects and is often required by insurance companies to designate the objects on a written report which may be subject to a higher insurance premium.

**STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS:**

These terms or concepts are generally linked together in most appraisals. An **ASSUMPTION** is that which is taken to be true. An **EXTRAORDINARY ASSUMPTION** is an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. A **LIMITING CONDITION** refers to conditions that limit the appraiser's examination or research of the appraised items and the appraisal assignment. **HYPOTHETICAL CONDITIONS** are those which are contrary to what exists but are supposed for the

purpose of analysis. According to USPAP, all assumptions and conditions must be listed and qualified in every appraisal.

**STEPPED UP BASIS:**

This is a tax term and refers to a value that is used to determine profit or loss when property is sold. If someone inherits property that has increased in value since the deceased person acquired it, the tax basis of the new owner is stepped up to the market value of the property at the time of death. The stepped up basis means that when the property is eventually sold there will be less taxable gain.

**STYLE; IN THE STYLE OF:**

This refers to a piece made after the original would have been made and has the same features as the original just made years later.

**TAX IDENTIFICATION NUMBER (TAX ID):**

The tax ID number is an IRS term and requirement. In most cases, this is the social security number of the appraiser which the IRS requires the appraiser to list in certain types of appraisals with the appraiser's signature. In this way, the IRS can impose sanctions on the appraiser should they be warranted.

**TERTIARY MARKET:**

This marketplace occurs in a forced sale situation such as liquidation or salvage sales.

**TESTIFYING EXPERT:**

This is an appraiser who not only provides technical expertise and background knowledge to the attorney and the client in a litigious situation but is also used on the witness stand to explain complex valuation issues and to express expert opinions and conclusions as they relate to the object or objects in dispute. Such expertise may be related to the quality of the object, the value of the object or the methodology of the opposing appraiser. The work of the testifying expert is discoverable in court.

**THERMOLUMINESCENT TEST:**

This is the definitive way to tell the true age of pottery, stoneware, porcelain, bronze and terra cotta. There are a handful of thermoluminescent labs worldwide which perform the thermoluminescent test. The most prominent lab is in Oxfordshire, England. Today most large auction houses will not put an item on sale without a certificate showing that the test has verified the artifact's age. To test an object's thermoluminescence, a small sample (about 100 milligrams) is heated to extreme temperatures. Most mineral materials store up increasing amounts of radioactive energy that is drawn from radioactive decay in and around the mineral.



When heated (thermo), most minerals release the stored energy in the form of light (luminescence). By measuring the amount of light released from a material, one can calculate how many years have passed since the artifact was fired. Generally, the more light released the older the item is.

#### **ULTRAVIOLET LIGHT (UV):**

These are short, high energy invisible light waves beyond violet in the spectrum of light with a length of 250 to 400 nanometers.

#### **UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE (USPAP):**

These are the appraisal procedures and guidelines for conducting and writing appraisals published by the Appraisal Standards Board of The Appraisal Foundation. First codified in 1987, these standards apply to all disciplines of appraising and are predicated on the concept that there is common methodology which can be found in all aspects of appraisal practice including appraisal, appraisal review and appraisal consultancy.

#### **VALUATION APPROACHES:**

##### **COMPARATIVE MARKET DATA APPROACH:**

This is the most commonly applied approach when appraising personal property in which appraised value is based upon past prices for similar works by the same artist or artisan or similar works by another artist or artisan of equal standing and related reputation.

##### **COST APPROACH:**

This approach is used to determine the value of an object based upon the cost of duplicating or recreating the identical piece. This approach may be applied to the decorative arts when the methods of construction or materials used are replicable and of significant inherent value.

##### **INCOME APPROACH:**

This approach is used to determine the value of a work of art or object which will be used to generate future income. This is most often done through leasing, rental or creating reproductions but not through a one-time only sale with transfer of title and/or copyright.

##### **VALUE:**

This is a dollar amount dependent upon the type of appraisal report being written: insurance, IRS, equitable distribution for divorce proceedings or liquidation. The appraiser must state which value is being used and give a clear, concise definition of that value and cite the source for the definition.

**VALUE IN EXCHANGE:**

This term refers to the ability to trade an item or asset, especially money, for other goods and services that can then be used to satisfy wants and needs. Value in exchange means that value that is satisfaction, is obtained indirectly through the acquisition of something else. For an item to have value in exchange, it need NOT have value in use, value obtained directly from the consumption of a good or service.

**VALUE IN USE:**

This term refers to the satisfaction of wants and needs provided by the direct consumption of goods and services. Acquiring value from the use of goods and services is really the ultimate goal of economic activity. It is the final step in the production, allocation and consumption activities that are undertaken to address the fundamental problem of scarcity. Value in use should be contrasted with the similar phrase **VALUE IN EXCHANGE**.

**VERSO:**

This term refers to the left hand page of a book or the back side of a leaf or a picture on the other side of **RECTO**.

**VINTAGE:**

This is a widely used term referring to an object that was formerly in vogue but not more than 100 years old. This definition may vary by object, i.e., a vintage fountain pen is generally thought to be one manufactured pre-1965.

**WATERMARK:**

This is a design left in the paper by the paper manufacturer and is seen when the paper is held against the light. This mark is used to trace the origin of the paper. Special markings for an artist or publisher may incorporate a signature or a device and can be used to detect fakes although even watermarks can be faked. Watermarks on hand made papers are made by very low relief molds or designs of fine wire set on the screen on which the moist pulp collects.

**WORK SIZE:**

This refers to the dimensions of works on panel or board. When the word “sight” is used in conjunction with work size, it refers to the dimensions of the visible image of the work.