COMMON TYPES OF VALUE

NEW MEDIA
art advisory

NMAA offers unbiased, competent appraisals for new and established collections of new media art objects. If you have specific questions not covered here, please reach out to: newmediaartadvisory@gmail.com or call 903.521.9064

FAIR MARKET VALUE (FMV)

According to IRS Publication 561, "Fair market value (FMV) 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 acts. If you put a restriction on the use of property you donate, the FMV must reflect that restriction."

REPLACEMENT VALUE (RRV)

Replacement value (or Retail Replacement value) refers to the total amount paid for obtaining an art object in its most appropriate market. Thus, replacement value may refer to specific marketplaces (ie. Auction Replacement Value; Gallery Replacement Value, etc.) The replacement value includes the amount paid for the object as well as relevant fees paid for acquiring the object. The replacement value is most often used for insurance purposes, and may require coordination with an insurance agent to determine acceptable values.

MARKET VALUE (MV)

According to FDIC Law Regulations and Related Acts, 2000 §323.2.h, "Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) Buyer and seller are typically motivated; (2) Both parties are well informed or well advised, and acting in what they consider their own best interests; (3) A reasonable time is allowed for exposure in the open market; (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

CASUALTY LOSS IN VALUE (Using comparable Fair Market Values)

According to IRS CFR 1.165-7, "in determining the amount of loss deductible under this section [casualty losses], the fair market value of the property immediately be fore and immediately after the casualty shall generally be ascertained by competent appraisal. This appraisal must recognize the effects of any general market decline affecting undamaged as well as damaged property which may occur simultaneously with the casualty, in order that any deduction under this section shall be limited to the actual loss resulting from damage to the property. (ii) The cost of repairs to the property damaged is acceptable as evidence of the loss of value if the taxpayer shows that (a) the repairs are necessary to restore the property to its condition immediately before the casualty, (b) the amount spent for such repairs is not excessive, (c) the repairs do not care for more than the damage suffered, and (d) the value of the property after the repairs does not as a result of the repairs exceed the value of the property immediately before the casualty."