Piano Appraising: A different perspective.

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Most of us have appraised pianos, not only for individuals wanting to buy or sell their instrument, but also when the instrument was to be donated to a charitable organization, involved in an insurance claim, or in a divorcee settlement or probate. This article has to do with the latter instances, and only for pianos that are valued at over $5000. I want to emphasize that the following information does not apply to private sale of a piano. This information only applies to pianos that are donated to charitable organization, involved in an insurance claim, or are involved in a divorce settlement or going through probate.

First, in order to be able to appraise a piano, one must be very knowledgeable about not only the technical aspects of a piano, but also the values of new and used instruments. One must know how to accurately estimate how much it will cost to make the necessary repairs to a piano, even to the point of completely rebuilding it after the instrument has been involved in a fire or a flood. But in order to be able to appraise a piano for “official” business, one needs to have a full understanding of the legal requirements of appraising, and the ramifications of what happens when the rules are not followed.

It has recently come to light that not only the IRS, but also insurance companies, are now requiring to have instruments which are valued at over $5000 be appraised by a “Qualified Appraiser”. According the IRS, these are the qualifications of a qualified appraiser.

* 1. *The individual either:* 
     1. *Has earned an appraisal designation from a recognized professional appraiser organization for demonstrated competency in valuing the type of property being appraised,*
     2. *or Has met certain minimum education and experience requirements. For real property, the appraiser must be licensed or certified for the type of property being appraised in the state in which the property is located. For property other than real property, the appraiser must have successfully completed college or professional-level coursework relevant to the property being valued, must have at least 2 years of experience in the trade or business of buying, selling, or valuing the type of property being valued, and must fully describe in the appraisal his or her qualifying education and experience.*

*The individual regularly prepares appraisals for which he or she is paid.*

* 1. *The individual demonstrates verifiable education and experience in valuing the type of property being appraised.*
  2. *To do this, the appraiser can make a declaration in the appraisal that, because of his or her background, experience, education, and membership in professional associations, he or she is qualified to make appraisals of the type of property being valued.*

While these are the legal requirements for the IRS, technically insurance companies do not have to abide by these rules. However, they hold all the cards, and when they say they want an appraisal done by a “qualified appraiser”, it is in the insurer’s best interest to have that done. Case in point. A highly qualified RPT member of the PTG had his appraisal of a piano that was damaged in a hurricane denied because he didn’t meet these requirements. In order for the customer to have his claim approved, this piano technician had to have the piano appraised by an Accredited Member (AM) of the American Society of Appraisers, (ASA). This AM took the information the RPT gave, and wrote out an official appraisal, using language and information approved by the ASA

These are very specific legal requirements, and when the appraiser doesn’t meet those requirements, the IRS and/or the insurance company, can deny the donation or the claim. The big question is, is membership in the PTG, and having taken appraising classes at a PTG sponsored seminar or convention, sufficient enough to qualify as being recognized as a professional appraiser organization?

The answer is, no. Even though we know all about pianos, and belong to a profession organization, that requirement alone does not quality us to be a “qualified appraiser”. In order to meet the legal requirements, one has to meet the qualification set forth by the Appraisal Foundation. [www.appraisalfoundation.org](http://www.appraisalfoundation.org).

So what is the Appraisal Foundation? It is the foundation that is authorized by Congress as the source of appraisal standards and appraiser qualifications. The Appraisal Foundation is publisher of USPAP (Uniform Standards of Professional Appraisal Practices**.)**

Focusing on pianos, the reason the IRS needed appraisals from qualified appraisers was because unscrupulous individuals would persuade piano technicians to inflate the value of a piano so they could deduct more from their income tax. Obviously, when the IRS feels they are being cheated, they get tough, and take action.

In 1979 the IRS created form 8283, which states that a qualified appraisal must include, in part, the following information:

1. *A description of the property in sufficient detail for a person who is not generally familiar with the type of property to determine that the property appraised is the property that was (or will be) contributed,*
2. *The physical condition of any tangible property,*
3. *The date (or expected date) of contribution,*
4. *The qualifications of the qualified appraiser who signs the appraisal, including the appraiser's background, experience, education, and any membership in professional appraisal associations,*
5. *A statement that the appraisal was prepared for income tax purposes,*
6. *The method of valuation used to determine Fair Market Value, (FMV) such as the income approach, the comparable sales or market data approach, or the replacement cost less depreciation approach, and*
7. *The specific basis for the valuation, such as any specific comparable sales transaction.*

Obviously, this is a lot more information than just jotting down a figure on a piece of paper. The details involved with creating a document like this needs to be done by someone who has a full understanding of the legal requirements for an appraisal.

The detailed description of a piano is only part of what the IRS is looking for when they qualify the value of the instrument. What the IRS wants to know is how the value was established, the method used in making the appraisal, and last, the qualifications of the appraiser. The main focus on being a certified professional appraiser is not only a knowledge of the instrument, but also, and more importantly, a knowledge of the legal language needed to write the appraisal. This is what a professional certified appraiser does

To become a Certified Appraisers, one must go through a certification process of one of the appraising organization. The ASA is one of those professional organizations. It is primarily a real estate appraising organization, but it has expanded to include furniture, art, and musical instruments, including pianos. As of now there is only one individual who is an Accredited Senior Appraiser of Musical Instruments in the ASA, and that is Rebecca Apodaca in California. She can be reached at (949) 768-7110 [admusic@cox.net](mailto:admusic@cox.net)

Another professional appraising organization is the Appraisers Association of American. This is a premier national association of personal property appraisers which focus on fine and decorative arts. One person who has taken the necessary course work to become a certified appraiser is Leopold Holder, an RPT in New York City. He can be reached at 646 637-2266, [leoholder3@yahoo.com](mailto:leoholder3@yahoo.com).

Leo got involved with AAA about 7-8 years ago. After several requests of having appraisals done mostly for FMV and Insurance replacement, he realized, how "defective" they were and how much work they needed to "stick". He contacted AAA and started take interest in studying the legal issues involved in writing appraisals. This process took several months to complete and pass the basic tests.

An independent USPAP was formed (Uniform Standards of Professional Appraisal Practice) and now all member must upgrade and be tested every other year to keep up with any and all changes which affect our practice. The Financial Institutions Reform, Recovery and Enforcement Act of 1989 recognizes USPAP as the generally accepted appraisal standards and requires USPAP compliance for appraisers in federally related transactions. State Appraiser Certification and Licensing Boards; federal, state, and local agencies, appraisal services; and appraisal trade associations require compliance with USPAP.   
  
Although the AAA has not created a special category for pianos, Leo performs as a personal property appraiser  
specializing in pianos. He does Fair Market Value, Insurance Replacement Value and IRS Charitable Donation. Occasionally and once in a while gets into Estates, Equitable Distributions, Marital Asset Divisions.

It would be in your best interest to contact Leo when you are asked to appraise a piano that is valued at more than $5000 for insurance purposes or when the instruments is going to be donated to a non-profit organization. He will work with you to write the appraisal so that it passes the legal requirements of the IRS, the insurance industry, and other legal entities.