

## *Appraisals for Tax Credit by the National Archival Appraisal Board*

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Prior to the last decade, it would have never occurred to a donor of archival materials to ask for or to claim tax credit on the value of his or her donation. Archivists on their part knew little if anything about the tax credit system, and officials of the National Revenue actively discouraged any mention of the provisions. Moreover, there were few experts in Canada who were capable of evaluating archival documents. Those who were able to do the job demanded high fees, often far in excess of the market value of donated documents.

However, the publicity given to archival donations in the United States, and the benefits that the donors were able to reap stirred the imagination of our own benefactors. Increasingly the donors began to ask about the tax credit, and the Public Archives turned to the Department of National Revenue for help. In particular, we were searching for a formula to solve the vexing problem of establishing a fair and credible market value for donated manuscripts and other documents. In our naive enthusiasm we offered to conduct "in house" appraisals using our senior professional staff.

Initial responses from the Revenue officials were discouraging. One official, writing as recently as April of 1970 referred to "donations in kind", which would include archival materials, by saying that "As a matter of sound policy we have never encouraged extending the donation allowance to gifts of that nature. It was felt", he continued, "that there would be many claims made by persons who would choose to get rid of accumulated junk around their homes. . . ." In fairness, the author of the letter has had unfortunate experiences with individuals claiming tax credit for donations of articles of dubious value which they gave to churches and other charitable agencies holding rummage sales. In the same letter, the National Revenue agreed that when "something of real value has been the object of a gift . . . the case has been considered on its own merits."

More specifically the National Revenue responded to several questions about the best mode of obtaining acceptable evaluations. The three questions that were presented to them were as follows:

Are the following modes of evaluation acceptable?

- a. Evaluation done by the Public Archives of Canada, using prices paid for similar materials at public auctions such as Christie's and Sotheby's?
- b. Evaluation done by reputable dealers?

- c. Evaluation made by a team of historians or archivists such as a committee of the Canadian Historical Association?

The responses that were made to these questions were as follows:<sup>1</sup>

- a. Not generally.
- b. Yes.
- c. Yes, this is the best and most desirable method.

The last statement was all that was needed to get action underway. The Canadian Historical Association was approached with the view to forming an appraisal body consisting of archivists, historians and representatives of other cognate professions. The C.H.A., through its Archives Section, responded positively, and in 1971 at the Annual Meeting in Winnipeg the Document Appraisal Committee was constituted.

The D.A.C., as the Committee became known, was established to serve all archival repositories in Canada, albeit its "centre of gravity" rested in Ottawa. Its mandate, as expressed in the constitution, was to appraise the fair market value for tax purposes of donations of archival materials made to repositories. The principle of the collectivity of its deliberations and decisions was affirmed in the constitution which required that at least three out of the possible membership of five, including the chairman, had to agree on a uniform value judgement. Anyone who has been involved in appraisals realizes the great difficulties in achieving a consensus on market values of documents when two or more appraisers are involved. Professional appraisers warned that the scheme would not work, that no one would compromise his or her judgement to suit colleagues, and that a compromise decision could seldom be rationalized. The matter was further complicated when the question was debated by the Archives Section and the Council of the Canadian Historical Association. The two bodies insisted on proportional representation of archivists and historians, each to have equal weight of opinion on final decisions. An opposition was also voiced by many of the country's dealers in rare books and manuscripts, some of whom felt that only they had the necessary expertise to conduct appraisals.

When the Ottawa-based Document Appraisal Committee was finally constituted in the summer of 1971, the membership included three historians and two archivists. There were no dealers represented. Needless to say, the absence of professional appraisers proved to be a handicap, but the Committee learned to improvise and managed from time to time to co-opt the services of reputable dealers and other experts in specialized fields.

In the four years of its existence, the D.A.C. appraised numerous donations of archival materials. The items included the full range of archival media: manuscripts, maps, pictures (including photographs, drawings,

<sup>1</sup> K.D. Smith to W.I. Smith, 19 May 1970. Correspondence with National Revenue. National Archival Appraisal Board.

paintings), sometimes entire collections of papers of prominent individuals or national organizations, associations and institutions, or business corporations, including collections of related printed matter such as books, pamphlets and newspapers.

Apart from its narrow base of expertise, the Committee had other handicaps. The fact that its members were domiciled in central Canada made it difficult for the Committee to make extended trips to other parts of the country. Less than 25% of repositories were served by the D.A.C. As was expected, criticism mounted even though the D.A.C. tried to schedule appraisals in the Atlantic Provinces and in the West. However, the expenses were prohibitive, and the travels had to be abandoned. Some attempts were made to ship donated materials to Ottawa, but again the experiment was unsuccessful.

The Executive of the Archives Section, and the Council of the Canadian Historical Association were called upon to resolve the issue. Three alternatives were presented to them:

1. The Document Appraisal Committee could remain unchanged but accept responsibility for appraising collections across the country, and not just in the Ottawa area. This could be done by shipping the material, together with a detailed memorandum describing its contents and its apparent significance, to the Public Archives of Canada, where the material would be appraised at the next meeting of the Committee. Alternatively the Committee, or a quorum thereof, could journey to an area that had sufficient material to appraise. The disadvantages of this procedure would not be tied to the fundamental features noted above. The main concern would be meeting increased transportation and living costs;
2. The Document Appraisal Committee could set up regional committees wherever demand warranted. This would reduce transportation costs and, depending on regional policy, possibly the honoraria costs. It would increase overall administrative costs, particularly if the parent committee were expected to oversee regional activities in order to ensure uniformity, diversity of expertise and disinterestedness. In the foreseeable future, close links would have to be maintained by mail and by physical presence of a member from the current D.A.C. to the proposed, or vice versa. If regional committees were established, they would have to have membership drawn from beyond the provincial and university archives. There would be need to agree on all matters of policy and procedures in order to ensure uniformity;
3. The Document Appraisal Committee could be reconstituted as a National Archival Appraisal Board, consisting of as many as 12 to 60 members. The members would represent all regions, and all

professions having interest, knowledge and expertise in the acquisition and preservation of documents and the appraisal of paintings, photographs, rare books, and historical museum pieces. Within this membership the Board could constitute regional appraisal committees with the power to make independent appraisals, provided steps were taken to ensure that they were consistent with established practice. Careful consideration would have to be given to the size and composition of the regional committees, as well as to the matter of how to ensure a proper distribution of expertise. The consistency from one appraisal to another could be guaranteed in a variety of ways. The regional committees might have overlapped membership, or a central body could be charged with the task of reviewing all appraisals. Either solution would create problems, for responsibility would in effect rest on a narrow base. Any proposal that leads to an imbalanced work-load implies that some points of view regarding appraisals might be given short shrift. This proposal also raises the questions implicit in all of these. How should appointments be made? What changes would be required in terms of fee structures and sources of revenue? According to one suggestion, the Archives Section of the Canadian Historical Association could select the members of the Board "for pleasure". These members would then decide the regional committee compositions and elect the central committee or the over-lapping members, depending on which alternative was chosen. The revenues to pay honoraria and travelling expenses are currently collected from those institutions requesting appraisals. If the increased size of the committee affected either the amount of travel expenses or the number of honoraria, then consideration would have to be given to ensuring comparable and equitable rates for all institutions, whatever their distance from Ottawa. It might also be wise, for the sake of smaller institutions particularly, to charge those individuals who would reap the income tax benefits, remembering that rates must be geared either to time or to flat rates, and not to percentage of the appraised value. Serious consideration must also be given to the ability of the committee to meet the increased demand for its services implicit in all of these proposals.<sup>2</sup>

The proposals were widely debated and it took the better part of two years before a consensus crystallized. As might have been expected, it was the third proposal that gained wide acceptance albeit many of its provisions were significantly modified.

As presently constituted, the National Archival Appraisal Board functions as a group of appraisal specialists organized into regional chapters.

<sup>2</sup> Canadian Historical Association. *Report on proposals to extend the committee, 12 April 1973.*

The Board is divided into six regions: Atlantic, Quebec, Ontario, Prairies & N.W.T., British Columbia and the Yukon, and the National Region — the last has no geographical limits but assumes special responsibility for appraisals conducted in the nation's capital and adjoining area. Each region has a Director who along with the other directors makes up the Executive Committee, which is the governing body of the N.A.A.B. One Director has no territorial responsibility but serves as the Director-at-Large. The Executive Committee, when required:

- Develops policies, guidelines and criteria governing appraisal of donated archival materials;
- Formulates regulations and procedures to ensure uniformity of appraisals performed by local, regional or national DAC's;
- Reviews and approves the composition of the DAC's;
- Maintains a registry of records of all previous appraisals together with other information relating to appraisals;
- Assesses uniform rates of appraisal fees;
- Provides financial services such as billing repositories for services rendered and paying remuneration to members engaged in appraisals;
- Nominates candidates for membership in the Board and recommends removal of members for cause;
- Provides professional orientation to new members;
- Offers consultant services to Revenue Canada and to other agencies and individuals engaged in appraisals;
- Determines the validity of independent appraisals.

The working unit of the Board is the Document Appraisal Committee, a name that was retained from the former Committee. The appraisal committees are set up for specific appraisals with memberships varying according to required expertise and location of donated collections. Archivists, academics and dealers in manuscripts and other archival documents are equally represented. No fewer than three Board members serve on each D.A.C. All appraisal decisions are made by the majority of those attending, with a minimum of three concurring. The Presiding member of D.A.C. is responsible for chairing the meetings, preparing all appraisal reports and related certificates. He provides the central office with duplicate copies of all minutes, reports and other documents. He also prepares and certifies all expense accounts, and orders the payment of members' honoraria.<sup>3</sup>

As stated in the Preamble of the N.A.A.B. Constitution, the aim of the Board is to offer appraisal service on historical materials donated to archival repositories in Canada. The appraisals are to be conducted on all forms of historical materials which shall have been donated to a repository, or shall have been placed in the custody of a repository with a *bona fide* intention of

3 National Archival Appraisal Board. *Constitution*.

donating them regardless of the outcome of the appraisal. It is a narrow mandate but it does not make the work of the Board any easier. The increasing volume of donations made each year to repositories, and the expanding number of the latter (171 in 1975, as reported in the *Union List of Manuscripts*) make it necessary to place rigid requirements on the repositories who request appraisal service. Specifically, the N.A.A.B. asks that:

- The Donatory, i.e. the repository which receives the donation, must establish the authenticity of donated documents;
- The Donatory must submit proof that it now owns the documents or that it has a letter of intent that the donation will be made;
- The Donatory must have physical custody of the donated documents;
- The Donatory must provide access to the documents, with space where the documents may be examined;
- The Donatory must prepare a basic inventory, list or other finding aid describing the documents in considerable detail.

In return, the N.A.A.B. will provide the Donatory with an Appraisal Report stating the *Fair Market Value* of appraised materials. The report, which will include a full inventory, will be supported by other documents, among them a statement of qualifications of each person who participated in the appraisal. The Donatory will forward the documents to the donor along with a certificate stating that the evaluated documents have been duly donated to the repository.

At the present time only some elements of the N.A.A.B. are fully operational. Many new members require in-depth orientation on the methodology and techniques of professional appraisal. The Executive of the Board is presently attempting to obtain outside funding to conduct an orientation seminar to provide all its members with a comprehensive, effective and uniform system of appraising archival materials.