

Adopting the Moving Van Approach

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The Top 10 Mistakes Made When Planning for Art and Other Collectibles: A Guide for Professionals and Their Clients

Mistake #2: Adopting the Moving Van Approach

When it comes to estate taxes, the Internal Revenue Service (IRS) expects all tangible personal property to be properly reported on Schedule F of Form 706. This includes any valuable assets such as art collections, antiques, or other collectibles owned by the decedent. Failing to report or undervaluing these items is a common audit trigger and can turn what might have been a clean estate tax return into a costly investigation.

But what happens when a client suggests they intend to "make their valuable art collection disappear" to avoid estate tax inclusion?

A Word of Caution

- **No Statute of Limitations on Tax Fraud**

Tax fraud—including estate tax fraud—is not bound by a statute of limitations. If an art collection or other personal property goes unreported on Form 706, the IRS retains the authority to pursue unpaid taxes, interest, and penalties indefinitely. Moreover, these liabilities can extend to the decedent's heirs, potentially creating financial and legal challenges for the next generation.

- **Impact on Provenance and Marketability**

Beyond tax considerations, failing to accurately value and report an art collection can undermine its provenance. Provenance—the documented history of ownership—is critical for determining an item's authenticity and value in the marketplace. Without proper documentation, including accurate estate tax filings, selling items at their fair market value can become difficult, if not impossible.

Practical Advice

It's essential to educate clients on the long-term consequences of attempting to sidestep estate tax obligations. Transparency and compliance not only minimize audit risks but also preserve the integrity and marketability of valuable collections for future transactions. By taking a proactive and informed approach, you can guide clients toward strategies that align with both their financial goals and legal responsibilities.