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Estate Appraisals for Spousal and Joint Tenancy Inheritance

If you are the surviving spouse following the death of your husand or wife, or the surviving member of a joint tenancy, you may have to make a declaration to both the state and the federal government (IRS) of the fair market value of the estate which has passed to you. If your spouse made a will leaving you all of his/her estate, half of your joint assets are included in your spouse's half of the joint estate. They pass to you at fair market value, a term defined by the Internal Revenue Service. If the deceased's estate is to be divided between you and other entities, perhaps friends or other family members, educational institutions or charitable organizations, you inherit the portion designated to you. For any one of these situations, you or someone else will have to compile an inventory of the deceased's assets that were uniquely his/hers plus all the assets which you owned jointly.

Some categories of items are exempt from listing, so you can leave them out of the spousal or joint tenancy inventory, however you should consider listing these on a separate inventory for your own estate. This will aid your children or estate executor in knowing what items/assets were uniquely yours. The following categories of items are not part of your joint estate: gifts that your spouse or joint tenant gave you before death, gifts that anyone gave you, items that you purchased for yourself alone (for example jewelry, clothing), items that you inherited which were never used jointly (for example family photographs or jewelry). Be careful about the last two categories because the IRS will be careful if they choose to review your inventory. If you purchased artwork because you liked it but you had it on display in your jointly owned home, this artwork might be considered joint property. Likewise, if you inherited furniture or china that you used jointly, these may also be considered part of the joint estate.

Other than these exceptions, the estate of the deceased consists of his/her personal property, cash, stocks, and real estate holdings including timeshare ownerships. The personal property portion of the estate includes all of the following: objects in the home and in other real estate or storage such as furniture, artwork, figurines, dinnerware, cookware, glassware, linens, rugs, clothing, jewelry, flatware, draperies and other window treatments, lighting fixtures (chandeliers, other hanging lights, wall fixtures), washer and dryer, computer equipment, sports and exercise equipment, books, audio equipment and recordings (compact discs, audiocassettes, audio records, videotapes), hand tools, power tools, yard tools, lawn mower, patio furniture, automobiles, boats, trailers.

A category called "consumables" is not required to be listed unless it is substantially above what might be considered ordinary amounts. Consumables are all food items whether fresh, frozen, canned or drygoods and also alcohol as wines and liquors.

Be aware that the IRS will look for what are called "flags" if they review your inventory. Flags are categories of relatively high value items that people tend to omit or hide from their inventory because of their value. The two most commonly omitted categories are sterling silver flatware and jewelry. In checking over the estate inventory, the IRS will probaly look at the total size of the estate. If they note certain types and quantities of items, this would suggest that the individual also had other types of items. Be sure to report the diamond ring, the Rolex watch, the sterling flatware, as well as artwork acquired jointly.

After you have compiled an inventory of estate assets and property, you face the second step which is assigning a fair market value. Cash assets have their face value. Stocks and bonds have their current value on the public exchange market. Remember you will have to determine value as of the date of death and this must be so stated on all appraisal reports. You will have to contact a realtor to get a current valuation of all real estate holdings. This leaves personal property as the last remaining category.

For personal property, the IRS provides a definition of fair market value in its publication no. 561 (Department of the Treasury catalog no. 15109Q). Basically, fair market value is the predicted actual selling price in the secondary market (not retail market) that a willing seller and a willing buyer would eventually agree on given no time constraint to conclude the sale.

There is no quick and simple method for determining the fair market value of personal property. Your attorney or accountant may advise you to write down a specific amount. In doing this, you take your chances. The accuracy of the number they tell you to report depends on whether your advisor knows what he or she is really doing. No one will challenge you if your value is too high, but you may be questioned if your value is too low on either the total amount, or a specific category of items, or on an individual item such as an automobile. For your best protection, it behooves you to consider having an appraisal done by a qualified appraiser. The appraiser should have current knowledge of the fair market value of all different categories of items in the estate or inform you otherwise. The appraiser should also have a careful eye for judging condition of the items because condition greatly affects value.

Statistically, fair market value on most items usually ranges anywhere from 10% to 45% of current retail cost, when the items are in near original condition. Clothing is on the low end for three reasons. Most clothing becomes outdated quickly; it gets soiled or worn; the public generally prefers not to buy used clothing except at very low prices. Fair market value of sterling flatware ranges 12% to 33% based on desirability of the pattern and whether it is monogrammed. Most utilitarian items as cookware and tools have a fair market value of 20% to 25%. Jewelry has a fair market value of 25% to 35%, depending on the validity of the replacement value appraisal or the amount of retail markup on each piece when the item was originally sold. The same applies to audio equipment, electronic items, computers, and cameras. Linens have a fair market value of 10% to 20% while furniture generally ranges 5% to 45%. On the lower end of this range is worn upholstered and furniture with stains, scrapes, dents, and other damage. On the higher end of this range are antiques and furniture by manufactures known for high quality workmanship. Artwork has the same range depending on degree of mass production, notoriety of the artist, and current condition.

Note that in no case does fair market value of personal property reach 50% of current retail price. This is due to the attitude of the public buying on the secondary market as well as to how much dealers are willing to pay for items purchased for resale. The only exceptions are items of greatly appreciated value because they are rare or have great collector interest.

In closing, the wisest advice is this. First, make a comprehensive inventory of everything in the estate, without attempting to hide or omit items. Second, obtain fair market values using the advice or services of competent qualified appraisers.

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Date: April 7, 1996