



Wood LLP

Tax Alert



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THE TAX LAWYER

TAXES 9/10/2014

Paying Tax With Art Is Legal In UK & Mexico, Why Not In US?

In the UK, you can pay your taxes with art. You even get full fair market value credit without selling it or paying tax on your gain. It's pretty slick. Between 2009 and 2013, £124.5 million worth were handed over under arrangements that allow taxpayers to reduce their tax bill with art. It helps the UK collect too, considering that the UK Treasury is owed more than £35 billion in taxes.

The program is called Acceptance-in-Lieu and it's becoming more and more popular. It dates all the way back to 1910. It was designed so cultural objects could be bequeathed to the nation instead of cash. You get full fair market value off your tax bill.

Once your artwork or artefact is accepted by the Government, it will be given to a public museum, archive or library. In some cases, you can even specify where you would like it to be housed and displayed. Traditionally, the program was used for paying estate taxes. But starting in March 2013, you can give during life to settle your unpaid tax bills.



Artist in painting studio (Photo credit: Wikipedia)

All sorts of things have followed this path, including original manuscripts handwritten by John Lennon. The threshold for UK inheritance tax is very low at only £325,000. There have been proposals to increase it to £1 million per person, but that's still proposed.

In Mexico, the tax law goes a step further, allowing painters, sculptors, and other artists to donate part of their annual production of artwork in lieu of paying taxes. In return, Mexico gains a huge collection of contemporary art. Mexico's program dates to 1957.

You have to admire the simplicity of it too. Say an artist sells one to five pieces of art in one year. He then donates a work of equal value to the state. The more you sell, the more you hand over for taxes, until an artist gives a maximum of six pieces.

The government likes to think it's encouraging artists. In effect, the government says, 'Pay your taxes in artwork. Keep on painting.' Hundreds of artists take part, and it's hard to find one with even the faintest hesitation. Many hail the program as unique in the world.

The program supposedly grey out of a 1957 encounter between a tax official and David Alfaro Siqueiros, a muralist and painter of social realism. Hey, paying taxes in paintings would be much better than going to jail!. But regardless of its genesis, the program has been in operation since 1957, garnering 4,394 works of art.

A rotating committee of seven artists and curators evaluates proposed donations to see whether they fairly represent the body of work of a given artist. So it's not just about money. Apart from the value of the art, experts decide if the work is fairly represents the artist.

More than anyone else, it is artists who like Mexico's program. It has generated good will among artists, and helps to amass an impressive collection of some of Mexico's most renowned artists. The program also has beautified the walls and open spaces of public buildings.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.