Do you have DONATION FATIGUE?

The word 'conflicted' is the one that best describes the arts community's attitude toward the act of donating their work.

Many are suffering from "donation fatigue" which occurs when they have been asked to give away work — framed paintings, pottery, sculpture, textiles — that can surpass, in total, what they have sold or even produced in that same period.

And often, it is the arts community itself that most often asks for donations, a situation that for savvy collectors or dealers is a chance to get fine works of art at bargain basement prices. It would almost be easier if artists just arranged a meet somewhere to swap with each other to get the work of their peers on their own walls. That way there'd be no messy and confusing tax implications, no need to say "no" 30 times a year, and no unsold works returned from charitable events with smashed frames or cracked clay.

And then there are art auctions, where those works of art can be sold for far less than the artist could get on the open market or at a gallery (and undercutting the galleries), and which sale does not bring so much as a tax receipt, much less a percentage.

It's not surprising that many artists end up feeling frustrated, guilty, resentful and weary, despite the fact that there are — and will continue to be — lots and lots of worthy organizations out there deserving of their support.

Those organizations may rationalize their multitudinous requests with a "oh well, they can always write it off at tax-time". As most people know, this is rarely the case (see THE TRUTH ABOUT TAXES page 15). And then there's the fact that most artists don't have large incomes from their work; thus, writing off a $500 painting or sculpture on a yearly income of $6,000 just isn't worth a whole heck of a lot.

What's socially-conscious, financially-challenged artist to do?

Paul Hammon pulls no punches in answering that question.

"The NDP asked me for a donation for their fall fund-raising auction. I gave them a couple of matted computer generated prints for which they received less than what it cost me to produce them. Needless to say, I won't be doing that again. I continue to find it remarkable how wide the gap is between what is clearly a keen appreciation of art (ie. paintings and drawings) and the knowledge of how marginalized the incomes are of working professional artists. And really, I'm not complaining. I'd rather be doing this work than anything, but why do these organizations continue to hit on artists? If they knew the truth, they would be holding fund-raisers for us and asking for donations of time from lawyers, accountants, doctors, and basically anyone with a reasonable income. Thanks for writing this article. Please send copies of whatever your findings are to the organizations on your list. That would be a good start..."

Painter Rose Adams has her own personal set of "rules" for donations:

"I have pretty much weeded out ones I don't want to give to, but I do make an annual contribution to Alice Housing's Art Auction because I believe in their cause (supporting single mothers in low-cost housing) and because it is a well-established annual event which shows respect for the artists. Their requests come months before the auction, they give differing options of full donation or partial, give receipts for value of the work, and follow up with phone calls and a thank-you letter. Their event is also well-attended at the World Trade and Convention Centre. If I supported the ban, then it would penalize this organization, which I do not want to do."

Rose's comment about "respect for the artists" is one that rings many bells, loudly. While no one's asking for curiosities or flowers, shabby treatment is not uncommon. Some insist that a painting be framed, at the artist's expense. Others request sold work that's damaged, with no explanation or apology. Some don't bother to return it at all. Many refuse to give tax receipts and almost no one offers the artist a percentage of the sale price.

Rose goes on to say: "I think the vogue of art auctions is now almost over — there were times when I was asked up to 20 times per year and sometimes by organizations that wanted to make a quick buck and who did not really think through what they were asking. There are also the — god forbid — Revenue Canada rules around donations which I think mean that we are supposed to claim a donation as income. So it actually costs us the cost of the donation and loss of inventory, but also in terms of claiming income."

Jennifer Morris feels even more strongly about the attitude that often goes along with the request:

"I have donated for the last eight years to the Transition House (now Autumn House) Eveleigh of Art fund raiser, and I have become increasingly disenchanted with the whole thing. The attitude of these organizations seems to be that they are doing you
a favour by allowing you to donate an apparently otherwise worthless piece of artwork for their cause. The general consensus seems to be that if you are an artist, art-making is not a serious occupation, therefore art itself should be free, and artist should be happy — no thankful — to give it away. No one ever seems to think that your motives may be more than the self-satisfaction apparently derived from spending a lot of time/money effort on something to just give/throw it away, that YOU may actually be doing THEM a favour, by donating your life, knowledge/halt, not to mention materials and the expense of framing. I wish artists would stop giving their work away like this and give themselves the respect — expected and received — by bankers, lawyers, mechanics, and garbage collectors, which is a fair wage in exchange for their time, services, products, skills, costs, abilities, education, and labour.

Geoff Butler weighs in with this information: “One thing that people asking for donations do not seem to be aware of is that when artists donate a work of art, it is regarded as income by Revenue Canada. That is, an artist declares the income (for the imaginary sale of the work) and then deducts the same amount as a donation. (Editor’s note: for a full explanation of this, see THE TRUTH ABOUT TAXES page 15). The only exception to this, as far as I’m aware, is when donated art by an artist falls within the scope of the Canadian Cultural Export Property Review Board, for then an artist can claim the full appraised amount of the donation. However, donations can only go to designated institutions.”

Wayne Boucher is one of those artists who gets a lot of requests and he offers this information on the tax implications:

“When the average, I get five requests a year for donations of my work for fund-raising purposes. Some years it can be as high as ten. In most cases is an outright donation with a receipt for income tax purposes. I usually donate work to art organizations and non-profit charities. I try to limit donations to between three and five a year, but it doesn’t always work out that way. Last year I donated ten works of art to community groups for fund-raising purposes. In the past four years over $25,000 of my works have been donated as gifts, or for fund-raising purposes.

Charitable tax receipts are sometimes advantageous in the reduction of taxes. However, depending on the level of income they can be just a wash, whereas you have to add the donation to your overall income and then deduct it as tax credit. The problem here is that donations increase your income levels and, consequently, tax bracket and the amount of tax paid. Also, by raising your income to false levels, it can put you at an income sales level where you may be required, or eligible to pay GST on private sales.”

Helen Opie, like many artists, is as concerned with how the donation is requested as with how often, and from whom. She relates these experiences: “Years ago I decided that I would donate to art auctions of organizations to which I would otherwise give money — or to which I wished I had money to give. I gave up giving to IWK after about two times because 1) they were rude about what they would accept (only framed work, and I don’t make frames) and 2) my being responsible for shipping, to boot. Also, I realized that this was a way for people with far more money than I ever see to buy cheap art. Never did anyone contact me to see my work because of these auctions.”

Deanne Fitzpatrick says the whole topic has become a bit of a beef for her.

“I hate to be negative, but I have to say I seem to get a request every week or two, at least 25 a year for a donation of art and I am finding it tiring. I think many organizations use lists such as the Studio Rally map and fire off a bunch of letters. When I do donate, I select carefully, and I hardly ever hear back from the organization on what the piece is sold for, or get any feedback other than an occasional form-letter thank you.

“Sometimes it seems that there is an underlying assumption that artists have stacks of work that is never going to sell anyway, so they should be happy to have the chance to give it away. I prefer to choose the causes. Also, if you give one year, many causes are annual events and it is difficult to end up in a yearly thing. We need to learn to set limits, say yes when it feels right and no when it does not. It is a personal choice.”

From the Eastern Shore, Kath and Rob Rutherford write:

“The last two years, we have had an unreasonable number of donation requests...it certainly has become the impression and I agree something must be done about it. Having had over 30 requests for art donations last year, we have definitely had to turn down many (probably good causes but we just can’t afford it). So we have made the following decisions (as 2003 requests are already beginning):
1) we will give no more than four pieces per year
2) we won’t give to auctions that accept photo mechanical reproductions of art alongside original art
3) we will expect the organizers to either reimburse the frame or look at framing themselves.”

It becomes clear from these comments and the many more we received that artists - like the majority of Canadians - do want to support charitable organizations. The problems are the frequency of requests, and the attitude toward the works and/or the artist. For the artist who has trouble saying no, see the form letter provided by artist Dawn McNutt (Page 14). For an invigorating list of positive suggestions for improvement - directed at those organizations asking artists for donations - see Regina Coupar’s contribution on page 15.

And for the story on tax implications see the information that was commissioned by CARFAC to enlighten hard-working artists all over Nova Scotia, on page 15. There was far too much information on the subject to include here, so if you want the full, painful story, go to our website: vams.ednet.ns.ca.
SOME WHO HAVE ASKED

Acadia University Art Gallery
AIDS Coalition of NS
Alice House
Alzheimer Society
Amherst Garden Club
Amherst Theatre Group
Annapolis Royal Historic Gardens
Annapolis Region Community Arts Council
Annapolis Children's Playground
Annapolis West Education Centre
Apple Tree Children's Centre
Art Gallery of Nova Scotia
Art Sales and Rentals, ACNS
Arts Atlantic
The Ark Workshop, Bridgewater
Atlantic Theatre Festival, Wolfville
Bear River Music Society
Briony House
Bust Outt Arts Association (to stage
Vagina Monologues in Halifax)
Canadian Breast Cancer Association
Canadian Mental Health Association
Dartmouth Branch
Canadiana Fund
Cancer Society
Centre Stage Productions, Kentville
Clein Nova Scotia
Colchester Community Workshops
Colchester United Way
Colchester Regional Hospital
Colchester AIDS Foundation Truro
and Halifax
Cumberland County Transition House
Dalhousie Art Gallery
Dalhousie Medical Research
Foundation (Molly Appeal)
Dalhousie/SMU Society for
Economic Geology
Dartmouth Boys and Girls' Club
Dartmouth Special Olympics
Digby & Area Arts Council (DACCC)
Eastern Front Theatre
Ecology Action Centre
Epilepsy Association of Nova Scotia
Evangeline Trail Tourist Association
eyelevel gallery
Friends of the Public Gardens
Gloscoap Elementary School
Gzwowski Literacy Tournament
Hall's Harbour Days
Halifax Dance
insight Gallery
IWK
J L Ilsley High School
Khyber Centre
Northwood Care Incorporated, Halifax
NS Association of Women and the Law
NSCAD
NSCAD Alumni Association
NSDCC (Nova Scotia Designers
Craft Council)
NS Help Line
Nova Scotia Choral Federation
Nova Scotia Hospital
Nova Scotia Nature Trust
NS Youth Orchestra
Owens Art Gallery (Sackville, NB)
Phoenix Youth Programs
Port Hawkesbury Women's Centre
Rotary Club
Sable River Volunteer fire department
Saint Mary's University
St FX Art Gallery
Shambhala School
Sherman Hines Museum of Photography
Society of Women Lawyers of NS
Springhill Hospital
Sport Nova Scotia
Struts Gallery (Sackville, NB)
Theatre Antigonish
Thomas Aquinas Centre
Titz n' Glitz
Trinity Galleries
Twin Oaks Memorial Hospital
Two Planks and a Passion Theatre
Tummann House
Tantamar Theatre
Unicef
University College of Cape Breton Art Gallery
Valley Regional Hospital Auxiliary
VANS
Victoria Order of Nurses
Writer's Federation of NS
YWCA Halifax

“I hate to be negative, but…”

Kings Historical Society
King's Theatre Lunenburg Board of Trade
Little Harbour Volunteer Fire Dept.
Lockeport Fire Department
Lunenburg Academy Metro Food Bank
Mount Saint Vincent University
Multicultural Association of NS
Multiple Sclerosis Association
Musquodoboit Harbour Kennesse
NDP
New Minas Elementary

ONE ARTIST’S SUGGESTIONS...

I wouldn’t want to guess how many pieces of art I have donated over the years. Don’t get me wrong, I think it is important to give back to the community, but more and more I am becoming resentful when asked for donations of my work. I am especially offended by the plea that I will ‘benefit from the exposure’ by participating in a particular event. People die of exposure. What would really benefit me as an artist is greater opportunity to increase my cash flow.

It has been my experience that most (not all, I acknowledge) charities and other organizations who ask for art donations request 100% of the revenue generated by the sale of a work in exchange for a tax receipt (which, my accountant says, must be balanced against the income generated by the sale in the first place??!!). The artist usually ends up paying for the frame and possibly losing a potential sale to someone who now will not buy their work because a piece has already been purchased.

This would all be fine, in a perfect world where artists are paid well enough to enjoy disposable income, the benefits of a pension, health and dental insurance, regular vacations and so on, but in this world where a practicing artist’s unpredictable annual income usually falls well short of that of the employed people who dream up these events, it is not fine. And when it comes to art organizations, it’s even worse — a bit like asking a homeless person to make cookies for a bake sale to benefit the greater cause.

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If I'm sounding a bit cynical, it's because I've earned it. Further, it seems to me there might be a correlation between the number of events that use art as a regular part of fund-raising and the decline of art galleries over the past couple of decades.

For organizations who insist on competing with galleries and artists' studios by organizing such events I would offer the following advice:

- Recognize that the regular income of most artists is somewhat tenuous by building in a profit-sharing component to your event. Offer the artist at least half the income generated by the sale of his or her work.
- Expect donations of art to come unframed and be willing to present the work with integrity by having it properly framed or by finding sponsors other than the artist to pay for the framing.
- Respect the artist's work by not allowing it to be sold (in auction or other venue) for less than what it would cost at his or her gallery or studio. It isn't fair to people who support an artist by buying his or her work that it be sold elsewhere for less than its market value. Bargains make consumers wary of paying regular prices.
- Offer the artist complimentary tickets to your event.
- Provide the name and address of the purchaser of the artist's work, along with a thank-you.

— REGINA COUPAR

ONE ARTIST'S ANSWER...

Name, letterhead, address of sender
Spokesperson, Name of Charity, Address of Charity

Dear Spokesperson:

The number of art auctions as charity fund-raisers has become a matter of concern to many artist friends. Although I recognize the worthiness of your cause and sympathize with your situation, you may be unaware that:

- some collectors are now buying all their art at auctions, thus eliminating our own sales and reducing gallery business considerably. This phenomenon is becoming greater with our declining economy.
- the final bids at auctions are often far less than gallery prices, undercutting our prices and those of the galleries.
- most artists are getting several requests a year. In the past twelve months, I have donated (or been requested to donate) (as many ((or more)) works as I have sold) or ( ___ pieces).
- charitable tax receipts help, but only a small percentage (or none) is deductible at the income level of a typical artist.
- charities usually expect works be mounted and ready for exhibit; a major expense from those who can least afford it.

Coming out of discussions with many members of the art community, one possible solution has been formulated which seems fair to artists, charities and buyers. It is suggested that charities secure a reserve bid at or near market value for each artwork. Fifty percent of the reserve bid would be paid to the artist if the piece is sold. This helps to defray materials and presentation costs, and keeps the market value of the artwork intact. You will undoubtedly find, as a result, that the quality of contribution is much higher.

Another suggestion is that charities approach art collectors (rather than artists) to donate works from their collections. They are in a position to make much better use of tax receipts, and may then wish to add new work to fill the space.

I have been sympathetic to and supportive of many charities over the years with art donations, but feel that the risk of livelihood and the cash burden should no longer fall on artists alone. Your understanding and cooperation would be greatly appreciated.

Sincerely,
artist's name

(Note: A copy of this letter is available on vans.ednet.ns.ca)
THE TRUTH ABOUT TAXES

Revenue Canada defines a donation as a gift or voluntary transfer of money or property and if given to certain institutions, eligible for non-refundable tax credits. It depends on what you give, to whom and how you file your return.

HOW YOU FILE

Most artists make their living in a variety of ways including contract work, part time teaching, grants, sales of work, etc., In terms of income tax, there are three categories artists can file under: self-employed, employee, or dual status. For more information on these three categories see the CCA Tax Primer #1 in the references list.

In order to write off a donation of your work, you must file as either dual status or self employed. Your work is then considered by Revenue Canada as inventory of your self owned and operated independent small business. With any small business, it takes some time to show a profit and during the start up time losses can be deducted from other income, however there is "a reasonable expectation of profit" on the part of Revenue Canada. This expectation has been a point of conflict and confusion between Revenue Canada and artists for a long time, but that is another story.

Small businesses regularly claim the supply of goods as a promotion or public relations expense, rather than as a charitable donation. As promotion expenses are 100% deductible and charitable donations are not, it may be wiser to claim your donation as a publicity expense, that exposure that everyone is always saying will be good for you.

If you decide you would prefer to treat the donation as a donation, the work's FMV (Fair Market Value, what the work would bring if sold on the open market) must be determined for a tax credit. You determine the FMV yourself based on what others of your work have sold for. When you donate work to a fundraiser held by an institution or organization with charitable status, they should provide you with a charitable tax receipt for the amount the work sold for. If you feel the FMV is actually higher, you can claim the difference as well, however you must also claim "the sale" as income. The same figure must be used for both. The amount you can claim as a deduction is calculated at a rate of 17% applied to the first $200 and 29% of any amount above $200 of the FMV. The maximum amount of charitable donations eligible for tax credit in one year cannot be higher than 20% of your net income. In other words, including the "income" from several donations could result in a higher amount of taxes payable than deductible tax credits so you could end up paying to donate work if you are not careful.

WHAT YOU GIVE TO WHOM

To confuse the issue, under certain circumstances your donation of work can be considered cultural property instead of inventory and of course, the rules change. The CPEIA (Cultural Property Export and Import Act) provides a tax incentive to individuals donating to public authorities or Canadian custodial institutions. The 20% rule for example, does not apply to gifts to Canada and its provinces, as a result a donation of your work to the institution such as the AGNS or MSVU Art Gallery itself, not a fundraiser for the institution, is not restricted by this limitation.

It is much more complicated to donate a work as a cultural property. Cultural property is defined as being of "outstanding significance and national importance". First the gallery must be willing to accept your work. As there are related costs such as assessment, framing, insurance and storage, this is not always a given. The receiving gallery or institution must have Category A designation status assigned to it by Canadian Heritage. Your donation must also be certified as cultural property by the CCPRERB (Canadian Cultural Property Export Review Board). The CCPRERB also determines the FMV and certifies the gift.

USEFUL REFERENCES:

The CCA Tax Primers
#1 Important Points to Remember When Filing Your Taxes and #2 Preparing a Business Plan are available free from the CCA Canadian Conference of the Arts
804-130 Albert Street, Ottawa
ON K1P 5G4
tel: (613) 238-3561
email: info@ccarts.ca
or online at:
http://www.ccarts.ca/eng/04/res/04_03_tax1.htm

Forms and publications of Revenue Canada
are available online at
www.cra-arc.gc.ca/forms
or by calling
1.800.959.2221

Suggested publications
P113 (E) Gifts and Income Tax
IT-504 Visual Artists and Writers
T100 Tax Information for Professional Artists
IT-110 Deductible Gifts and Official Donation Receipts