

Determining Fair Market Value (IRS Guidelines)

Fair market value is the price at which property would change hands between a willing buyer and a willing seller, neither having to buy or sell, and both having reasonable knowledge of all the relevant facts.

Determining the value of donated property would be a simple matter if you could rely only on fixed formulas, rules, or methods. Usually it is not that simple. Using such formulas, etc., seldom results in an acceptable determination of FMV. There is no single formula that always applies when determining the value of property. This is not to say that a valuation is only guesswork. You must consider all the facts and circumstances connected with the property, such as its desirability, use, and scarcity. For example, donated furniture should not be evaluated at some fixed rate such as 15% of the cost of new replacement furniture. When the furniture is contributed, it may be out of style or in poor condition, therefore having little or no market value. On the other hand, it may be an antique, the value of which could not be determined by using any formula.

- **Used clothing** – The fair market value of used clothing and other personal items is usually far less than the price you paid for them. There are no fixed formulas or methods for finding the value of items of clothing. You should claim as the value the price that buyers of used items actually pay in used clothing stores, such as consignment or thrift shops.
- **Household items** – The fair market value of used household items, such as furniture, appliances, and linens, is usually much lower than the price paid when new. These items may have little or no market value because they are in a worn condition, out of style, or no longer useful. For these reasons, formulas (such as using a percentage of the cost to buy a new replacement item) are not acceptable in determining value.

You should support your valuation with photographs, canceled checks, receipts from your purchase of the items, or other evidence. Magazine or newspaper articles and photographs that describe the items and statements by the recipients of the items are also useful. Do not include any of this evidence with your tax return.

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