

## NATIONAL DREAM LEGACY SOCIETY

### SUGGESTED BEST PRACTICES FOR MANAGING COLLECTIONS OF RAILWAY MEMORABILIA

**NOTE: We are not lawyers...or tax experts! This was put together to help you get started in your research on how to manage your railway collection. It's based on Canadian tax rules. At the bottom we also have some information for our American friends. Check with appropriate financial and legal advisors.**

It is prudent to maintain adequate records of any personal collections for the following reasons:

- Property insurance purposes. In the event of an insurable loss, it is always easier to support to the insurance underwriter and adjustor the nature of the loss when making a claim under a policy.
- Estate planning and/or other documentation purposes. When the time comes to dispose of a collection, it has been demonstrated that greater value is derived when there is good documentation supporting the physical components comprising the collection. Furthermore, a good inventory provides an element of control if an outside party is charged with the disposition of a collection, thus providing assurance that all items are fully accounted for.

Depending on the size, estimated value and personal wishes and objectives of any owner, a collection can be either monetized or gifted.

Monetization can be accomplished through:

- Private sale, either in whole or piece meal, to an interested party. The seller should have some knowledge of the collection's value, particularly if the seller is acting in a fiduciary capacity.
- To retailers of like interests. This approach may not maximize value as it requires the buyer to take the business risk of whether he can earn a profit on any subsequent sale.
- Auctions, either on-line, or physical events. Most auctions take the form of the auction house charging a commission. Because ownership is retained by the seller, there is typically no business risk to the auctioneer and the audience of potential buyers is larger, hence greater value for the collection is generally derived.

Gifts usually involve finding an organization that is a registered charity under the Income Tax Act, and thus is able to issue an income tax receipt to the donor that can be applied as a deduction when computing the donor's income tax liability. The value of this receipt must be based on the fair market value of the assets donated. Generally, if the fair market value of the property is less than \$1,000, a member of the registered charity or another individual with sufficient knowledge of the property may determine its value. If the fair market value is expected to be more than \$1,000, it is recommended that the property be professionally appraised by a third party. In any event, the person who determines the fair market value of any item should be competent and qualified to evaluate the particular property being donated. It is a good practice to contact all individuals/organizations to which one might wish to donate any part of a collection in advance of making arrangements to ensure they have the capacity and interest to accept such gifts.

Some components of a collection may be eligible for designation as Canadian Cultural Property. The criteria and benefits of such designation should be thoroughly researched by anyone in possession of objects that may have historical cultural importance.

Adequate records supporting any collection should include, as a minimum, a listing of items in the collection and a photograph of each. There are a number of commercial software and shareware packages that are available in the market place. The biggest risk with these applications is that the developer of a specific program may cease to support it in the future. It is recommended the better and more durable option is a generic spread sheet that facilitates importation of photographic images. All records respecting any collection should be appropriately backed up to minimize the possibility of inadvertent loss of data.

For items in the United States of America that want to send items in a collection that may be considered culturally of interest in Canada, one avenue to repatriate an item is to contact the Council for Canadian American Relations. Among its objectives is support for arts and cultural institutions between the two countries. One example of an item that was brought back to Canada, the donation mechanism was:

- The owner committed to donating the item the recipient.
- The Council for Canadian American Relations issued a tax receipt and took interim ownership of the item.
- The item was immediately shipped to the recipient “on loan” from the Council for Canadian American Relations.
- Following two years plus one day, the owner applied to the Council for Canadian American Relations for transfer of ownership of the item, which was provided in a timely manner.

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