San Jose Stamp Club

APS Chapter 0264-025791 | Founded 1927, Club show since 1928 | September 2024

2024 Club Officers*

President
*Brian Jones ……………….. 408 300 3377
bfj39@yahoo.com

Vice President
Open

Secretary
*Dave Gilman ……….……..408 264 1953
Sanjosegilmans@gmail.com

Treasurer
*Tony Bristol…………………408 280 7095
tbristol@earthlink.com

Webmaster/Newsletter
Jim Steinwinder ……..….. 408 644 4090
callcps@aol.com

SJSC Blog
Ron Biell ………..…..……. 408 323 8702
Rbiell-dsl@sbcglobal.net

Filatelic Fiesta 2024

Chairman
Brian Jones ………..…….. 408 300 3377
bfj39@yahoo.com

Bourse Chairman
Tom Kinberg ………..……... 503 910 9552
stampartrstamps@gmail.com

Club Website
www.sanjosesc.com

Club Blog
www.sjscblog.net

Filatelic Fiesta Website
www.filatelicfiesta.com

Correspondence:
San Jose Stamp Club
6469 Almaden Expy, Suite 80, PO Box 356
San Jose, CA 95120

Like the San Jose Stamp Club on Facebook

Fiesta Time

November, this year, is Filatelic Fiesta month. The show is weeks away and now is the time to step it up.

- We need more club members to sign up for shifts for the various activities we conduct during the show. This includes hospitality (meet and greet), club sales, youth area, help Brian with the Boy Scouts, setup, takedown and cleanup, etc. The show is at its best when everyone gets involved.

- Remember, when you are at the show wear your club tee shirt. It's lets people know who they can ask if they have questions or a problem. With more blue shirts walking around it becomes less likely that we have any unwanted problems.

- Brian will have one or more work sessions before the show. We need more club members to pitch in and help get donations sorted out. We need to restock the supply of stamps for the youth area and the Boy Scout Merit Badge program. There is also the possibility of finding items for the sales area.

The success of the show depends on a team effort. The show comes once a year and is a major source of pride and revenue for the club. Many of us lead busy lives outside of Philately but the show is the single most important event on the club calendar. Let's make the effort to ensure that **our** club show is successful.

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August 2024 Newsletter uploaded

Presidents Message

I believe our beloved hobby needs as many doors into it as possible. Everyone who is in this club knows my commitment to teaching the Scouting stamp collecting merit badge. An important "old door" is this badge which has been around since 1932 and earned by nearly 700,000 over the years. The badge teaches the basics of collecting, the terminology, tools, history, and has them build a small collection.

It is a great way to introduce the hobby to many young people every year. After completing the badge, some scouts will continue to collect and some will take it up later in life. Since they learned about it when they were young, starting up again will seem so much easier. If nothing else, we create spread a good impression of the hobby with thousands.

I'd love to see the philatelic community take up the challenge of making this badge more available. In 2023, less than 1,000 Scouts earned the stamp collecting merit badge. This put in 132nd of 138 of all badges. Year-to-year, stamp collecting has been in the bottom 10 of badges with as few in the 700's in a bad year to a little over 1,000 in a "good year". For comparison, coin collecting merit badge is the range of 4,000. Scouting national leadership does it best to keep the list of the merit badges fresh and relevent. They regularly review the least earned badges and consider closing them as they add new badges. It is very possible that collecting stamps could become an option of the collecting badge. The coin community manages to get 4 times as many young people to earn their badge than the stamp community.

What can we do? The whole philatelic community needs to pitch in make pro-active programs available all over the country on a regular basis. While it is non-trivial to meet the requirements to host a Scouting program, it is doable. Here is a GREAT opportunity to take advantage of the HUGE inventory of very low cash value stamps to offer young people the opportunity to collect almost any country or a wide variety of topics. The key element is pitch our hobby as fun and don't teach non-essentials like watermarks. Nothing kills a young person's sense of fun than trying to identify Washington-Franklins. I would encourage other organizations offering the badge to offer their kids the stamp collecting starter kit like the SJSC.

Scouting has undergone some significant changes in the past few years. Most notably is that it is now "Scouting USA" and no longer the "Boy Scouts of America" as young women are able to join. Scout troops are now either only for boys or girls and some accept both in one troop. It is up to the leadership how they want to operate. A second big change is the exit of Mormon faith troops. Over the years, almost all Mormon Churches had a Boy Scout troop for the young men in their church and almost all of the national leaders where of the Mormon faith. This led to them trying to impose their faith on everyone. This created a lot of conflict and ultimately the Mormon Church has formed it's own organization and is no longer part of Scouting. An important consequence is that Scouting no longer considered an organization that discriminates. That stigma has created problems in the past due to groups not wanting to support any group with that designation. We can now be proud to be able to offer the badge to any young person in Scouting.

Whoever we're trying to entice to try collecting stamps, the key is the focus on fun. When people hear about how much one can learn about the country their collecting or the topic, the response is tremendous. Far too many people outside of the hobby think they have to follow a lot of rules and spend their time looking for obscure details. The idea that one can add creativity comes as a real surprise to many.

It would be amazing if philatelic leaders would take this seriously and start doing more to offer this merit badge to more young people before it goes away. It is a reasonable goal to raise the annual earn rate to 1,500 in 4 years. While this is a 50% increase over the current rate, it's doable if we work together.

Regards,

Brian

VICE PRESIDENT:

The club urgently needs someone to step-up into the role of club vice president. David Occhipinti served in this capacity for many years, but due to his health, he resigned from this last fall. It's not that big a job, I REALLY need someone to step into this job.

New Club Member Bio from Rick LaRosa as relayed to Brian,

" I am a Bay Area native. I was born in San Jose and grew up in Sunnyvale CA. I lived in Mountain View for a few years then moved to Campbell in 1996, where I presently reside. I am 65 years old and retired from the City of Sunnyvale in 2019. I keep busy with many activities and some volunteer work at the First Congregational Church in San Jose. I am a member and Past Camp Commander of Phil Sheridan Camp 4 (Sons of Union Veterans of the Civil War). This organization keeps me busy! I play guitar, love reading history/literature etc. I love hiking the ocean and outdoors. This is just the TIP of the iceberg, but I shall end here! "

Respectfully Yours,
Rick LaRosa

USPS Proposes Temporary Rate Changes for 2024 Holiday Shipping Season

9/5/2024

WASHINGTON — The U.S. Postal Service filed notice today with the Postal Regulatory Commission (PRC) regarding a temporary price change for some package services for the 2024 peak holiday season. This temporary price adjustment is to help cover extra handling costs to ensure a successful peak season.

The planned peak-season pricing, which was approved by the governors of the Postal Service on Aug. 8, would affect prices on the following commercial and retail domestic competitive parcels: Priority Mail Express (PME), Priority Mail (PM) and USPS Ground Advantage. No other products or services would be affected. Pending favorable review by the PRC, the temporary rates would go into effect at midnight Central on Oct. 6 and remain in place until midnight Central on Jan. 19, 2025.

This seasonal adjustment will bring prices for the Postal Service's commercial and retail customers in line with competitive practices.

As a strategic part of the **Delivering for America** 10-year plan, these temporary changes will support the Postal Service in creating a revitalized organization capable of achieving our public service mission — providing a nationwide, integrated network for the delivery of mail and packages at least six days a week — in a cost-effective and financially sustainable manner over the long term, just as the U.S. Congress has intended.
The planned price changes include:

Priority Mail and USPS Ground Advantage: **Zone 1-4**
Commercial:

- $0.30 cents increase for Zones 1-4, 0-3 lbs.
- $0.45 cents increase for Zones 1-4, 4-10 lbs.
- $0.75 cents increase for Zones 1-4, 11-25 lbs.
- $3.00 increase for Zones 1-4, 26-70 lbs.

Priority Mail Zone 5-9

- $0.70 cents increase for Zones 5-9, 0-3 lbs.
- $1.25 increase for Zones 5-9, 4-10 lbs.
- $2.75 increase for Zones 5-9, 11-25 lbs.
- $7.00 increase for Zones 5-9, 26-70 lbs.

USPS Ground Advantage Zone 5-9

- $0.35 cents increase for Zones 5-9, 0-3 lbs.
  - $0.75 cents increase for Zones 5-9, 4-10 lbs.
  - $1.25 increase for Zones 5-9, 11-25 lbs.
  - $5.50 increase for Zones 5-9, 26-70 lbs.

Priority Mail and USPS Ground Advantage: **Zone 1-4**
Retail:

- $0.40 cents increase for Zones 1-4, 0-3 lbs.
- $0.55 cents increase for Zones 1-4, 4-10 lbs
- $0.95 cents increase for Zones 1-4, 11-25 lbs.
- $4.00 increase for Zones 1-4, 26-70 lbs

Priority Mail Zone 5-9

- $0.90 cents increase for Zones 5-9, 0-3 lbs.
  - $1.45 cents increase for Zones 5-9, 4-10 lbs.
  - $3.25 increase for Zones 5-9, 11-25 lbs.
  - $8.50 increase for Zones 5-9, 26-70 lbs

USPS Ground Advantage Zone 5-9

- $0.50 cents increase for Zones 5-9, 0-3 lbs.
  - $1.00 cents increase for Zones 5-9, 4-10 lbs.
  - $2.00 increase for Zones 5-9, 11-25 lbs.
  - $5.85 increase for Zones 5-9, 26-70 lbs

Priority Mail Express:

***Commercial**:*

- $1.00 increase for Zones 1-4, 0-3 lbs.
- $1.75 increase for Zones 5-9, 0-3 lbs.
- $1.50 increase for Zones 1-4, 4-10 lbs.
- $3.95 increase for Zones 5-9, 4-10 lbs.
- $3.50 increase for Zones 1-4, 11-25 lbs.
- $7.50 increase for Zones 5-9, 11-25 lbs.
- $8.95 increase for Zones 1-4, 26-70 lbs
- $13.00 increase for Zones 5-9, 26-70 lbs.

***Retail**:*

- $1.10 increase for Zones 1-4, 0-3 lbs.
- $2.00 increase for Zones 5-9, 0-3 lbs.
- $2.00 increase for Zones 1-4, 4-10 lbs.
- $4.85 increase for Zones 5-9, 4-10 lbs.
- $3.90 increase for Zones 1-4, 11-25 lbs.
- $9.00 increase for Zones 5-9, 11-25 lbs.
- $9.75 increase for Zones 1-4, 26-70 lbs
- $16.00 increase for Zones 5-9, 26-70 lbs.

The PRC will review the proposed prices before they are scheduled to take effect Oct. 6. Complete USPS price filings, with prices for all products, can be found on the PRC website's Daily Listings section at *//prc.gov/dockets/daily*. Price change tables are also available on the Postal Explorer website at *pe.usps.com/PriceChange/Index*.

Notably, the Postal Service has some of the lowest postage rates in the industrialized world and continues to offer great values in shipping.

Tax Strategies for Owners of Philatelic Material and Other Collectibles

The following article by Edward Mendlowitz, CPA and Maryann Reyes, CPA appeared in the March 2024 issue of **The American Philatelist**. *The information contained within is current as of the 2023 tax year and will be updated should U.S. tax law related to philatelic and other collectibles change.*

Collecting stamps and philatelic material is a wonderful hobby and provides immense pleasure. However, some decide to invest in stamps and others become dealers. Further, at some point a collection will be disposed of, either by the collector or their estate. Once there is any type of a sale or transfer transaction, the Internal Revenue Service (IRS) becomes interested in receiving its "share" of any gains while trying to restrict losses that might offset the gains.

This article covers the whole realm of taxation of philatelic (and other) collectibles, shows how charitable donations can be fully deductible, and discusses how dispositions made by an estate are treated. **Your authors are two experienced tax experts who warn readers to follow exactly the intricate rules provided by the IRS**.

Definition of collectibles

Stamps and most philatelic material fall into the Internal Revenue Tax Code category of collectibles. This is a wide-reaching listing and this article will address all sorts of philatelic material, although much of this will also cover the other collectibles. Stamps purchased to use on mail would not be considered a collectible, but a large quantity of a pretty common stamp might be if it is not used for postage. In many cases, the reason for the acquisition is evident; where it is not, then the motive, use, method of storage, possible insurance, and many other reasons would be considered.

Motive for acquisition

The motive for acquiring a collectible could be different for each purchaser, and sometimes that can help determine whether it is considered a collectible or not. The Internal Revenue Service (IRS) is more interested in the motive of the purchaser than it is in the actual purchase. For that reason, the IRS is concerned with classifying the purchaser into one of three categories:

Dealer. This is someone in the trade or business of buying and selling collectibles. Dealers are those operating a business regardless of the nature of the products handled. All gains will be ordinary income, and losses will be treated as any business loss, i.e., not limited by capital loss limitations. Capital gains treatment is not available for the sale of inventory items.

A dealer can open an "investment" account and separate those items from their inventory, but then the costs attributed to those acquisitions would be treated as investment expenses including insurance and storage, and sales tax, if applicable, would need to be paid.

Collector. A collector is someone who collects as a hobby with no profit motive. Hobbyists cannot deduct any losses or expenses. Any revenues are fully taxable as other income and "expenses" are not deductible. Direct selling costs such as an auctioneer's fee would be considered a cost of the sale and would offset the revenue. Any gains on sales would be taxable as collectible gains, which are explained later.

If a collector or hobbyist claims to be a dealer and wants to take deductions for losses, and files their tax returns accordingly, the IRS will only allow a taxpayer to claim losses for two out of five tax years, assuming they could establish they were truly dealers. A third year of losses creates a presumption that the activity is not engaged in for profit. This could be contended if there truly is a business, albeit an unprofitable one (see next paragraph). Further, a postponement to that determination is permitted on IRS Form 5213 "Election to Postpone Determination As To Whether the Presumption Applies That an Activity is Engaged in for Profit."

The IRS has a nine-factor hobby loss rule that is considered in its determination of whether the activity was carried on for a profit. These are:

1. How the activity is conducted
2. Manner in which the business was conducted
3. Time and efforts in that activity
4. Expectations to make a profit
5. Success in other activities including prior businesses
6. Income history from the activity
7. Profits or losses relative to the investment and other income of the taxpayer
8. Taxpayer's financial status
9. Recreation or personal motives

Readers interested in the explanations of each item are referred to the IRS fact sheet "Know the difference between a hobby and a business", as well as IRS regulations and many court cases and articles on this topic.

Investor. An investor is someone who buys and sells philatelic material with a motive of making gains but is not in business as such. Investors can no longer deduct their expenses as a miscellaneous itemized deduction (under present law). Possibly some investment costs could be added to the basis of the collectible. Investors can treat losses as capital losses subject to those limitations.

Capital gains

When collectibles owned by investors and hobbyists held for more than one year are sold, the income is taxed at the taxpayer's ordinary income tax rate with a maximum capital gains rate of 28 percent. For net collectible gains, the normal capital gains rates are not applicable, but the net loss rules are applicable, as are many other features. Here are some points to consider:

The capital gains on collectibles are netted against net losses from all of the other capital gains categories and the net amount is what is taxed. The netting rules are somewhat complicated so they should be reviewed with a knowledgeable tax advisor.

If there is a net gain, the portion attributed to collectible gains would be taxed at the taxpayer's ordinary tax rate with a maximum "capital gain" rate of 28 percent.

The zero capital gains rate or the lower capital gains rates do not apply since this is not applicable for a taxpayer's other ordinary income which is what collectible gains are considered.

If the taxpayer has Section 1250 gains (taxed at a 25 percent rate and primarily on real estate), collectible capital gains, capital gains from security sales, earned income, and interest and dividend income, care must be taken when preparing your return, but more importantly, when you are planning a sale of your collectibles. A suggestion is to choose a year to sell your collection, assuming you will have a gain, when you can sell stocks or other capital assets at a loss and use the loss to offset the gain from the collectible.

There could also be a 3.8 percent net investment income tax, depending on the taxpayer's Adjusted Gross Income (AGI).

The tax can also be increased if the taxpayer is subject to the Alternative Minimum Tax (AMT) or Qualified Business Income (QBI) deduction, and by state and local income taxes.

Losses by collectors from sales would not be deductible and cannot offset other categories of capital gains. However, collectible losses can be netted against other collectible gains during the same year. Losses by an investor are subject to capital loss limitations. Dealers are not allowed capital gains income treatment, but losses would be not be limited to $3,000.

Distinctions between categories

Many times, there is no clear distinction between dealer and investor, or investor and collector, other than the frequency of transactions, promotional activities, and the intent. All of these reasons are subjective. For instance, the frequency of transactions could vary widely based on what is offered for sale, the scarcity, how often something of that nature is offered, how it is offered, and the price range. The nature of how something is promoted and the intent are likewise dependent on many factors. For these reasons, it is very important that careful and detailed records be maintained, and that is also an indication of intent.

Barter and trading transactions. Each instance of trading and exchanging philatelic material is treated as a separate sales transaction and is taxable as if each trade was a cash sale. This happens irrespective of whether the barter transactions are of equal value.

Contributions to a charity

Investors and collectors can make donations of collectibles to charities and receive a deduction for the fair market value, provided the charity uses the collectible in connection with its activities (called the "related use standard") and does not dispose of the item within three years of receipt. This is covered later.

If the fair market value of the donated collectibles exceeds the cost, the income would not be recognized for tax purposes, but the deduction would be for the full value of the collectible, and not just the cost. What should not be done is to sell your collection and then donate the proceeds to a charity. In that situation the gain would be fully taxed and when the after-tax proceeds are donated, the charity would realize that much less and the charitable deduction would also be lower.

If the collectibles were owned when the owner dies and then donated, no income would be recognized. When this occurs the three-year retention rule would not apply. That is because the basis of the collection would be stepped up to the value at the date of death (or possibly at a date six months later). If the collectible increased in value since the date of death, the proceeds in excess of the estate's value would be taxed by the estate or heirs as a collectible.

Provisions for charitable deductions

Each individual item with a value over $5,000 must have a written appraisal by a certified appraiser in accordance with IRS regulations. The appraiser and the charity must sign the donor's IRS Form 8283, "Noncash Charitable Contributions." The organization must be registered with the IRS as a charity. The organization must certify that it will not dispose of the gift within three years of receiving it and that there are no use restrictions by the donor.

The appraisal must be done no earlier than 60 days before the gift is made and must be received by the donor no later than the return's due date (including extensions) that claimed that deduction.

If the value of the collectible is over $500,000, the appraisal must be attached to the tax return. If multiple gifts of similar items are made that are over $5,000 in the aggregate, the authors suggest obtaining a certified appraisal. This is our recommendation, not a requirement.

When making deductions, you want the greatest chance of having it allowed, and we tend to advise a more careful and defensive approach. An example is where 20 copies of the same stamp or cover that have a clearly provable fair market value of $300 each are donated at one time to one organization. It is not usually conceivable that if those 20 items were donated to one organization, they would have a value of $300 each or $6,000 since the knowledge of that quantity in one place at one time might make the 20 items not worth the full $6,000. For that reason, we suggest donating one copy to 20 different organizations and obtaining an appraisal from a certified appraiser of the $6,000 value as a defensive measure. Further, with the donation to one organization it might be more difficult to establish the related use.

One of the requirements of the appraisal is that the items be examined by the appraiser, so this generally precludes an appraisal done after the gift has been made, unless the property is intact and available to the appraiser. We strongly suggest getting the advice of an experienced tax expert whenever a substantial donation of philatelic material, or any collectibles, is considered.
As with any valuation, there are substantial IRS penalties for misstatements.

For any contribution over $250, the charity must provide a receipt for donation. The charity needs to acknowledge receipt of the items but should not provide any value amount. The valuation is the donor's responsibility. The receipt must be prepared by the charity and received by the donor by the due date of the tax return claiming the deduction. This is a must for the deduction to be allowed. No back dating is permitted, even if the contribution was made and received in a timely manner.

Donations of collectibles sold within three years. When the charity sells gifts of collectibles within three years, the charitable deduction is limited to the donor's basis, not the appreciated value.

For example, assume a stamp or cover that cost $10,000 has a fair market value of $100,000 and is donated and then sold by the charity for $100,000, and that the charity receives $85,000 after auctioneers' fees. If the stamp or cover was sold within three years, the deduction would be limited to $10,000; if sold after three years, the deduction would be $100,000. The $15,000 auctioneer fee is a cost of the sale and does not factor into the amount of the charitable deduction for the donor.

Note that if the stamp or cover was sold after three years for more or less than the $100,000 appraised amount, the deductible amount would still be $100,000, which was the value at the date of the gift.

Gifts of self-created items (such as a collection of hand-painted first day covers) are limited to the donor's basis, regardless of the value and the charity's holding period. Thus, a collection with an appraised value of $30,000, where the materials cost $920, would generate a $920 tax deduction. The charity would record on its books $30,000 as a contribution in kind. Even though the charity records the fair market value on its books as a contribution in kind, the charity should not report any value on the receipt it provides to the donor.

A person who buys the collectible either at an auction or from the charity would be entitled to a deduction to the extent of the excess paid over the fair market value. If the fair market value at the date of the sale was $50,000 and the bidder paid $65,000, the deduction would be $15,000. The charity is required to give a receipt noting the $15,000 donation; the $50,000 is considered a quid pro quo benefit even if the charity netted only $45,000 after the auctioneers' fee or selling costs.

Related use standard. The "related use standard" is applied in order for the donor to be able to get the best benefit of the contribution. This means that the charity must use the donated property in its activities. For example, a stamp collection donated to the APS, APRL, or National Postal Museum would likely meet the related use test. That same collection donated to a hospital probably would not.

Dealers that contribute collectibles out of inventory can deduct the lesser of the fair market value on the day of the contribution, or its basis. There are special rules to calculate the basis, which are not covered here. The point here is that the charitable deduction rules for dealers are much less beneficial.

There is an overall limitation for deductions for charitable contributions, which is 60 percent of Adjusted Gross Income, but in some cases 50 percent, 30 percent, and 20 percent limits may apply.

The tax laws periodically change, so if this could be an issue, it is best to consult with a tax expert beforehand. Furthermore, contributions over the annual limits can be carried forward for as many as five years; therefore, there is a six-year deduction period. There are also special rules for contributions of partial interests in property that should be reviewed prior to considering such a donation (not covered here).

What happens when the charity sells the collectible within three years or there is no exempt use?

If there is no exempt use or if the charity disposes of the collectible within three years, the deduction is recaptured. The recapture is the excess of the fair market value over taxpayer's basis. The recapture applies under these circumstances:

- The deduction of the collectible was over $5,000.
- The deduction is greater than taxpayer's basis.
- The organization sells, trades or otherwise disposes of the collectible within 3 years of contribution.
- The organization does not provide a properly signed written statement (such as on Form 8283, Part IV) that certifies its use was substantial and related to the organization's purpose OR its intended use became impossible.

IRS Form 8282 "Donee Information Return" must be filed by the charitable organization to report this.

If the disposition is during the year of the contribution, then no deduction should be taken.

If the disposition is after the year of donation, include the recaptured amount (the excess of the deduction claimed over taxpayer's basis) as income on Form 1040, Schedule 1, line 8.

Penalties

There may be a penalty if the value of the property or the adjusted basis was overstated. The penalty would be either 20 percent or 40 percent, depending on the amount of the overstatement.

Basis calculations

Basis refers to the tax cost of an item that is sold, donated to a charity, or otherwise disposed of. The simplest way is to keep track of all costs. If a collection is inherited, the basis would be the value as of the date of death or in some cases a date six months later (this would be determined by the executor).

Investors and dealers would be imprudent not to maintain careful and detailed records. However, many collectors do not contemplate selling or see no need to maintain the cost records. Except for small inconsequential purchases, we recommend records be kept. You never know what would be done or whether at current or contemplated circumstances might change, causing a sale. To reduce the tax if there is a gain, the cost basis would need to be established.

For those that sell and do not have records, we suggest a good faith estimate of the cost be prepared and used as the cost on the tax return. If there is an audit, you would need to "prove" the cost and in the absence of detailed records a detailed and credible estimate could help establish the basis to the satisfaction of an IRS auditor. It might not, but with no records and no "reconstruction" of the estimated cost, you definitely would not prevail.

An alternative to a sale is to donate the collection to a qualified charitable organization such as the APS or APRL. You would need a certified appraisal of the current fair market value, but only an estimate of the cost basis, which is informational and would not affect the amount of the contribution. In this case follow the rules covered above. Another alternative is to have it sold or donated after your death, but this is not a viable alternative if the cash is needed.

If the collection is covered by insurance, the cost as well as current value might be needed to be provided to the insurance carrier. This would be so regardless of your ownership status. This information might also be helpful in establishing cost in a tax audit.

Deductibility of costs associated with collectibles

The costs of appraisals of donated property are not deductible as charitable deductions and no longer can be claimed as miscellaneous itemized deductions similar to the other costs of preparing a tax return.

For investors, the costs of appraisals and other items such as insurance, storage, subscriptions, and travel in connection with purchases are not deductible, but depending upon the nature of the expenditure, possibly can be added to the basis of the property.

Collectors cannot deduct any such items.

We believe that costs of shipping a collectible to a charity are deductible as a charitable contribution, similar to out-of-pocket costs in connection with services to a charitable organization.

Sales by an estate

Collectors take great care in assembling and organizing their collections, but very few leave adequate instructions on how to dispose of the collections after their death. Depending on the value, type, and quantity of items, a collection could be sold outright to another collector or dealer, or given to an auctioneer to market and sell.

Names of at least two dealers and two suitable auction houses should be provided by the collector along with instructions. At a minimum, two estimates should be obtained. Any sales by an estate are not subject to capital gains taxes except for proceeds in excess of the fair market value at the date of death (or a date six months later) because of the step-up rules in basis rules (not explained here).

If no sale is consummated within nine months of the death of the owner, an appraisal will be needed to be included with a federal or state estate tax return if one is filed, or for the beneficiary's records to establish basis. Even if a sale is consummated, it might still be advisable for the executor to obtain an appraisal.

An alternative to a sale is to have the collection donated to a charity, but this must be permitted in the will or the trust that holds the collectibles, and an appraisal obtained.

Collectibles owned in an IRA or qualified retirement plan

IRAs or any qualified retirement plan cannot own philatelic material or collectibles. There is an exception for direct or indirect acquisitions of highly refined bullion, provided it is in the physical possession of a bank or an IRS approved non-bank trustee (not covered here).

Conclusion

Individuals with collectibles require serious advice from their tax advisors and financial planners. There are income and estate tax and charitable donation issues, as well as important and strict compliance rules that have to be carefully considered and adhered to. Each rule is important by itself and as part of the complete situation. There is also the treatment of ongoing costs, recordkeeping and basis calculations, and gains or losses when there are dispositions.

This area, as with any complicated tax issue, needs to be researched for the most recent rulings and cases when transactions are contemplated. Those selling collectibles for substantial amounts for any purpose or who contemplate making a donation of collectibles should consult, prior to any transactions, with their tax advisor. Afterward, in most cases, would be too late.

Club Member/Dealers

Ron Biell

Euro-Asian Stamps, P.O. Box 20562, San Jose, CA 95160
Phone: (408) 323-8702 **Fax:** 408) 323-8702 **Email:** rbiell-dsl@sbcglobal.net
Web Site: www.eurasiastamps.com
(China, Japan, Baltics, Russia, W. Europe, Covers Worldwide)

Doug Gary

Douglas Gary, P.O. Box 457, Campbell, CA 95009
Phone: (408) 274-3939 **Email:** doug_gary@hotmail.com
(USA & Worldwide Postal History, Stamps, Autographs, Postcards)

Deepak Jaiswal

Stampbay, Inc, PO Box 50848, Palo Alto, CA 94303
Phone: (650) 387-3885 **Fax:** (650) 561-4044 **Email:** info@stampbay.com
Web site: www.stampbay.com
(India including India used abroad)

Walt Kransky

Walts Postcards
Web Site: www.thepostcard.com **Email:** wrsky@att.net
(philatelic material, covers, postcards)

Gary Morris

Pacific Midwest Co., PO Box 730818, San Jose, CA 95173
Phone: (408) 532-7100 **Email:** garyucb@aol.com
www.ebay.com, Seller Name: superbstamps
(Hawaii Stamps & Covers, Other Worldwide Stamps, Linder and Lighthouse Stamp Supplies)

Denis Norrington

Arrow Stamp Company, San Francisco, California.
Phone: 415-425-6683 **Email:** denis@arrowstamp.co **Web site:** www.arrowstamp.com
(Worldwide Stamps and collections)