

# Helping Them to Give it to You!

## A look at the Taxation Incentives for the Arts Scheme

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A fact of life for Tramway Museums is the never-ending quest for exhibits, spare parts for the exhibits, money to restore the exhibits and money to operate the exhibits.

In these days of "Economic Rationalism" and "Doing more with less" a lot of our usual sources of monies and exhibits have almost dried up

What I would like to do today is to briefly visit some traditional or under-used sources of monies and exhibits – and then to zero in the Tax Incentives for the Arts Scheme. This Commonwealth Government-supervised scheme is a possible source of some quite serious supplies of exhibits. The word "exhibits" I am using in a very broad sense to include not just actual 1 to 1 scale trams, but parts for trams, photo collections about trams, ticket collection and/or any other area of tramway memorabilia that your Museum may wish to acquire for its operation, displays or archives.

But first – EXISTING sources of exhibits or monies.

With a bit of head-scratching I have been able to come up with seven ways of prising money or things out of Governments, Companies or People:

### 1. Donations

In Australia, a taxpayer may deduct from his or her taxable income any monies that have been donated to charitable institutions. I believe each and every Australian constituent member of COTMA encourages benefactors to follow this route. So long as the institution is approved by the Australian Taxation Office, and the donation is for \$2 or more, then that donation is tax-deductible.

The donor needs to obtain a receipt for the donation and if the item is queried in a random Tax Office audit, the donor needs to be able to authenticate the donation by production of the receipt. For many, many years I have kept in my own tax papers a piece of paper with the notation "KJ/80/17 dated 24 July 1964". That reference is of a letter to the Tramway Museum Society of Victoria back in 1964 from the Tax Office setting down its recognition of the TMSV as a charitable institution. Each Tramway Museum would have such a letter.

Because we attract new members continually, we need to alert these new people (and remind our existing members) of the benefits of donating money to our "cause". Appeals for money to rewind a blown motor or to transport a body into our care, or bread and butter matters such as members foregoing the right to reimbursement for postage or whatever by decreeing the expenditure to be a donation are all excellent ways of attracting donations.

The Ballarat Tramway Museum has recently put in place a policy to codify or regulate expenditures to be classed as donations, because we don't want to jeopardise the tax-deductibility status we currently enjoy.

In New Zealand I understand the situation to be that your Department of Inland Revenue recognises donations to registered charities and trusts. A donation rebate for generosity to an

approved charitable organisation can be claimed for a receipted donation of \$5 or more. The rebate is at the rate of 33<sup>1</sup>/<sub>3</sub>%, and has a ceiling of only \$1,500 per annum.

## **2. State Government Grants**

Across the democratic world, our elected leaders like to make themselves look good in any way they can. Apart from unsolicited grants just before an election when these grants become known as pork-barrelling, our governments will entertain applications for grants under certain pieces of legislation and prescribed guide-lines.

In these "enlightened" times grants are usually granted on a tit-for-tat basis. "I'll give you a dollar for every dollar you raise" or worse! We have seen a host of employment scheme grants around Australia, because community works tied to a short-term boost in local employment boost are seen as politically "good". Our constituent museums have taken to this sort of scheme with a vengeance – although the down side is an horrendous amount of time spent by US supervising THEM. And from bitter experience the THEMs are often poorly-motivated, long term unemployed people resentful of being forced to earn little more than the "dole" for what they consider to be dead-boring work. Community service order workers are a mixed blessing too. I understand!

Some types of applications will be flavour of the month with one State Government Department in this year, but then mysteriously fall from favour the next. Your local parliamentarian should, if he or she is worth his or her salt, be able to provide valuable inside information on this veritable maze.

## **3. Local Government Works**

Our local Councils seem these days to operate on the smell of an oily rag, if you believe them, but it is possible to winkle your way in to the hearts of a few ward councillors and Chief Engineers, to get that special task on to Council's Forward Estimates. And it is delightful to see the co-operation grass-roots council employees will offer, when they can. At Ballarat, we were able to get the Council road vacuum cleaner truck to return to base along the tram tracks in Wendouree Parade on a Friday afternoon. That joy was unfortunately a bit short-lived when they discovered that the vacuum cleaner was so powerful that it was starting to suck bits of old bitumen surfacing up from alongside our rails.

But while we lost that "service", the council have now started to re-surface holey bits of roadway around our track when they have a bit of hot mix left in the truck at the end of a project somewhere else in the City!

## **4. Advertising and Sponsorship**

The purists in our ranks probably still rue the day that their city's tramway operator first started carrying external advertisements. May be they're "Ugly as sin" to you, but an attractive source of revenue to me! We have seen the advent of all-over vehicle advertising and in Melbourne at least the all-over advertising has even been illuminated.

What our purists seem to forget is that advertising has been inside our trams since Day One, and several operators were not averse to putting ads outside not long after their trams first turned a wheel in traffic. You had to look really hard to find the fleet number on a Kalgoorlie tram!

Therefore precedents exist for most of us to carry advertising material for any Company that has kindly donated us something or money. The sponsoring company wants maximum exposure, of course, and in as many different "Day-Glo" colours as you can find. AND he wants it to operate on every operating day. AND he wants the signage to stay on until hell freezes over!

You could look at installing a display panel in your depot enshrining the names of significant sponsors. Bendigo make a feature of that ideal!

You will be surprised how easy it actually is to stump up a supply of dollars from the captains of industry and commerce. They are a bit like politicians, really! They like to be seen to be actively supporting your Good Cause.

## 5. Corporate Dollars

It may take up some of your valuable free time, or require a “flex” day, but nothing helps your cause better than bearding the corporate lion in his den, to prise a dollar or two out of him. From my marketing training and experience, I’d like to pass on the KEY clue, which is that you HAVE to have an ANGLE (or a hook) to attract the busy reader’s attention. That angle or hook to catch the fish (er, I mean CEO) needs to be a motivational one.

By all means write to the Chief Executive Officer of this Company or the Marketing Manager of that Company setting out a well-reasoned BUT BRIEF appeal for help. But do your chances a great favour by actually asking in the letter for a face-to-face appointment!

Your President or Chairman MUST go with your Marketing or Finance Manager, because that is the quiet way of communicating how important you see the Company CEO to be and how important your cause is, too! Try very hard to get your appeal on to just ONE page – because that is the secret of all good marketing. KISS! Keep it simple, stupid! It is a proven marketing adage that you will get virtually all of your one page read by every reader, whereas most busy executives seem to lose interest if they have to turn the page on any document.

When you are ushered in the door of the CEO, SMILE at him a whole lot, and remember his name. Remember to keep to the point, but don’t forget to convey your enthusiasm. You DO have a good cause to sell. Before you leave, try and obtain a commitment for action. “Can I supply you with further information? I can bring it in to you next week?” “Could you keep me posted on any problems you encounter deciding our case?” “Can we turn on a launch ceremony with the media there to record your company’s generosity?”

## 6. After They’ve Gone

We all have horror stories to recount of un-sympathetic or ignorant executors flogging off or even going to the tip with valuable photo collections or other memorabilia after a member has died. We should regularly invite our members to frame in their wills wordage that ensures that those invaluable sources of archive material are not lost forever, or become the subject of spirited bidding at a clearing sale auction.

Similarly, we should encourage our members (and, of course, the general public) to leave us a bequest in their wills, to remember them by. Some people do not like to even contemplate such matters in advance, but a little discreet effort on our part should surely encourage those in denial mode to think objectively about the matter. The prospect of a “lasting monument to your generosity” is a persuasive tool, if used tactfully.

## 7. Patrons

Former Premiers, Transport Ministers, eminent media personalities, wealthy captains of industry all make excellent patrons for museums. They can attract media attention just by opening their mouths. They can add clout and political savvy to your never-ending quest for dollars. They make invaluable leaders for your delegations to government or to your targets in industry and commerce.

The track record of patrons across the spectrum of organisations WITH patrons is that they are quite generous not just with their time, but with their money.

It is important with patrons to keep them well informed of your activities, because they can whisper in ears in the corridors of power on an unofficial basis using recent developments as an opener. The old “networking” syndrome feeds on news, remember.

Before I leave this area, four things warrant airing! Firstly, never, ever put difficulties in the way of someone’s generosity. Don’t allow unnecessary red tape to get in the way of a donation. Second. Make sure you thank every donor publicly—in your house magazine, in the media, whatever. Make them feel good that you recognise and salute what they’ve done! Third. After they’ve made their donation, don’t FORGET them. I believe you have an obligation to keep your donors informed of your museum’s activities virtually in perpetuity. Invite them to your special events, your social and annual general meetings. Acknowledge them from time to time. Who knows. It may winkle another donation out of them. And finally, I suggest that MOTIVATION is the key to obtaining something

from some-one who may not initially be thinking generously. Think through the issues that may motivate someone in your sights. "What can I give them in return for their sponsorship?" "What will make them feel good if they give us those photos?" "Why should they give US that money rather than that other mob?" "Can I wangle some media coverage out of his generosity?"

## **AND NOW, on to THE TAX INCENTIVES FOR THE ARTS SCHEME**

Let me start by quoting from an information brochure:

The Taxation Incentives for the Arts Scheme encourages gifts of significant cultural items to public art galleries, museums and libraries by offering donors a tax deduction for the market value of their gifts, under sub-section 78(6) of the Income Tax Assessment Act 1936.

The Department of Communications and the Arts administers the scheme with the advice of the Committee on Taxation Incentives for the Arts (TIA for short). The Committee advises the Secretary of the Department on the approval of valuers to participate in the scheme and examines donations to ensure they conform with the scheme's requirements."

John Radcliffe, by the way, put the fear of God in to me yesterday because he told me he served on the Committee for six years.

And now in plain English can I explain the scheme by way of a possible scenario.

John Citizen visits your tramway museum one Sunday. After a wander up and down the stabled trams, he bails up the OIC and says "I've got an old tram in a shed at the back of my home. Would it be of any interest to you?" After a few probing questions your OIC determines that the long-lost "Missing Link" in your collection does exist – after all these years! Whoopeeee! It may be a bogie Brill or a W8 or a genuine Sydney G class. But before your OIC can pick his jaw up off the kiosk floor, the visitor ruins it all by saying "It must be worth a quite a few quid these days!"

Well, all is not necessarily lost! Your OIC will soon be able to give the visitor an information kit about TIA, and you can commence the little serious game of getting him to donate the absolute gem of a tram to your Museum.

Two pre-conditions apply. First, your Museum has to forward a copy of your Collection Policy and a letter from your local Australian Taxation Office to the TIA people in Canberra stating that you are an approved museum eligible to receive gifts in accord with sub-sections 78(4) and 78(6) of the Act. Second, there needs to be two TIA-approved valuers not associated with your Museum available to swing into action.

The average of the two valuations (both made within 90 days before or after the gift) is the amount that the gift is considered to be worth under the scheme, and after the paper-work is completed, your visitor can hand the beastie over to your museum and both parties walk away smiling.

The TIA scheme applies not only to, say, trams, but also photo collections, memorabilia (such as an old bell-punch or a destination roll) and ephemera (which is paper materials like tickets or newspaper clippings, etc.)

There are a host of fine points to attend to before you can use the scheme to attract those gems "out there". They include:

- Your collection policy
- Taxation Office eligibility
- Approved valuers
- Is it a desirable acquisition?
- The Valuation Certificate
- The Donor Form
- The Donation Summary

### **Your Collection Policy**

Your museum will need to have in place a formal Collection Policy, which sets down what you exist for, what you have or want to have in your collection in terms of trams, tramway buses, artefacts, archives, memorabilia, or whatever. An important part of a Collection Policy to the TIA

Committee is your policy of "de-acquisition", in other words an outline of the process for determining the need for and the method of disposal of any item that may become surplus to your requirements.

As far as TIA is concerned, any item donated under the scheme must be considered as part of your permanent collection. **NOT TO BE DISPOSED OF!**

The Ballarat Tramway Museum has locked in what I consider to be an excellent Collection Policy, authored by Warren Doubleday, and which has not only been commended by Museums Australia but which meets with the approval of the TIA people in Canberra.

There is a copy of this policy, along with most of the documents I've been referring to, in the information packs I've given to each museum.

### **Tax Office Eligibility**

I quote. 'To participate in the scheme, a collecting institution must initially confirm with its local branch of the Tax Office that it is a public museum, public library or public art gallery for the purposes of sub-sections 78(4) Table 12 and 78(6) of the Act. A copy of the letter from the ATO advising eligibility status should be forwarded to the TIA Committee in Canberra.'

That copy of the Tax Office letter must be accompanied by your Collection Policy. By the way, you must advise the TIA Committee down the track if you ever change your Collection Policy.

### **Approved Valuers**

"To value a gift for the scheme, a valuer must be approved for this specific purpose by the Departmental Secretary."

A prospective valuer must submit an application form which identifies the specific kinds of property he/she is applying to value.

The nomination is signed by a Director of a major public institution (i.e., your museum) who is a specialist in the area of the valuer's expertise.

The applicant must demonstrate relevant experience and nominate two professional referees who are qualified to comment on the applicant's expertise. One of the referees must be the relevant specialist staff member (or Director) of the nominating institution.

The prospective valuer must note the Code of Conduct for valuers under the scheme and, with their application, sign a private interests assurance form. The valuers must be at arm's length from both the donor and the museum.

The TIA Committee approaches the two referees, considers all the material, makes a recommendation to the Departmental Secretary and, if the application is approved, the valuer is advised in writing and his/her name entered in the circulated list of Approved Valuers.

Approval of a valuer is for five years or as determined

Valuation fees and expenses are a matter for negotiation between the donor and the museum. An important point to note here is that the costs of a valuation are recognised by the Tax Office as tax-related expenses, and are thus a legitimate deduction. So put it on the donor to pay!

### **Is it a Desirable Acquisition?**

Before your museum accepts the proposed gift, ensure that it fits within your acquisition (Collection) Policy and that you wish to accept it for your (permanent) collection.

You are able to refuse the proposed gift if it doesn't fit in with your policy.

Make sure that the proposed gift has no conditions attached, and that the owner has clear title to the item.

### **The Valuation Certificate**

The valuer sets down on this Certificate his/her details, those of the donor and the recipient museum, followed by a description of the proposed gift. Other requirements for the valuer are to state the condition of the item, evidence of authenticity and history of ownership, as well as sales evidence of similar items as support for the valuation.

### **The Donor Form**

A copy of the "Certificate of Donation" or Donor Form is in your museum's information pack. A few points of note.

It must be typed, but it can be done in a word-processor emulating the form.

The donor's clear title to the proposed gift must be declared.

The recipient institution must state that the proposed gift conforms with its Collection Policy.

### **The Donation Summary**

Your museum must then complete a summary form that sets down the details of the donor, the proposed gift and the two valuations and the names of the approved valuers used, and the average of the two valuations.

### **And Also**

The museum needs to make sure that all the paperwork is completed correctly and within the time limits.

Should there be a wide gap between the two valuations, your museum will need to assess this variation and provide the TIA Committee with some explanation.

Your museum will need to satisfy itself that the donor has clear title to the gift, and that it does not conflict with other legal provisions, such as the Commonwealth's Archives Act 1983 or the Copyright Act 1968.

And a little twist in the tail. The Tax Office may disallow the gift if it finds that the donor receives any advantage of a material nature as a result of the gift, such as free or discounted entry or membership fees.

In summary

The Tax Incentives for the Arts Scheme is in place to help your museum secure gifts from donors, and at the same time offering tax deductibility for the value of the gift.

It is a ritualised process that involves a moderate amount of red tape, and it IS more complicated than simply issuing a donor with a receipt for his or her cash donation in excess of \$2.

But it MAY be the avenue of obtaining the "Missing Link", or that fabulous photo collection of Joe Blow – before he passes over the bar, or that irreplaceable collection of tickets, bell punches and news clippings going back to 1920s that sets your Archives Officer drooling!!

I have applied for approval as a valuer under the scheme, and I applied to value the following class of "property": "Australian and New Zealand Trams, Railway locomotives and rolling-stock, Buses; and associated memorabilia, ephemera and models."

I was able to quote over thirty-four years experience as a property valuer, my twenty-seven years on the boards of two tramway museums, and a long period of time buying and selling tram and train models, photographs etc.

I put it to you that there surely are two interested tramway museum personalities who should seriously consider applying for approval as a valuer under the scheme. Until there is at least two more approved valuers, no museum can obtain the necessary two valuations from approved valuers outside their museums, and I cannot value a prospective gift for the Ballarat Tramway Museum.

To alter an old saying just a little bit. "It takes three to tango!"

## Comments

John Radcliffe: pointed out that "Approved Valuers" to be a director of a Government Museum. Len not aware of this and will seek clarification. It was recommended that COTMA have their own approved valuers.

Summary report from Len was excellent, outlined issues and valuers to be honest. One example paintings being placed into an old people's home being valued to suit the valuer's benefit.

A valuation from a future donation (i.e. tram body) must be made before that person dies, otherwise a valuation can not proceed. Curators not accepted as valuers.

Can not donate your own works, eg build your own tram and claim as donation item to a museum for Taxation purposes. Materials, i.e. paint etc is okay.

Len will liaise with John Radcliffe re future application grants etc.