Land Trust Alliance
Together, conserving the places you love

Practical Pointer
Qualified Appraisal Checklist

A qualified appraisal is an appraisal document that satisfies Treasury Regulation §1.170A-17, including:

1. *Relates to an appraisal made not earlier than 60 days prior to the date of contribution (recordation date for conservation easements; date of delivery for fee gifts or as specified by state conveyancing laws) of the appraised property.*
   The donor must receive the qualified appraisal before the due date, including extensions, of the return on which the donor first claims a charitable contribution deduction for the donated property. If the donor first claims the deduction on an amended return, the donor must receive the qualified appraisal before the date on which the donor files the amended return.

2. *Does not involve a prohibited appraisal fee.*
   Generally, an appraiser cannot base any part of the fee arrangement for a qualified appraisal on a percentage of the appraised value of the property. If an appraiser bases a fee arrangement on what the Internal Revenue Service (IRS) allows as a deduction, after IRS examination or otherwise, the IRS treats it as a fee based on a percentage of appraised value. However, the IRS does not disqualify appraisals when an otherwise prohibited fee is paid to a generally recognized association that regulates appraisers *if*: the association is not organized for profit, and no part of its net earnings benefits any private shareholder or individual; the appraiser does not receive any compensation from the association or any other persons for making the appraisal; and the fee arrangement is not based in whole or in part on the amount of the appraised value that is allowed as a deduction, after an IRS examination or otherwise.

3. *Includes the following information:*
   a. A description of the property in sufficient detail for a person who is not generally familiar with the type of property to determine that the property appraised is the property that was (or will be) contributed. In the case of an easement and an appraisal completed prior to closing, ensure that the appraiser has as near-final a draft of the conservation easement deed as possible.
   b. The physical condition of any tangible property; the date (or expected date) of contribution; the terms of any agreement or understanding entered into (or expected to be entered into) by or on behalf of the donor that relates to the use, sale or other disposition of the donated property.
   c. The name, address and taxpayer identification number of the qualified appraiser and, if the appraiser is a partner, an employee or an independent contractor engaged by a person other than the donor, the name, address and taxpayer identification number of the partnership or the person who employs or engages the appraiser. Note that there can often be two required I.D. numbers: the appraiser's social security number, as well as the employer's I.D. number.
   d. The qualifications of the qualified appraiser who signs the appraisal, including the appraiser's background, experience, education and any membership in professional appraisal associations.
   e. A statement that the appraisal was prepared for income tax purposes; the date (or dates) on which the property was valued.
   f. The appraised fair market value on the date (or expected date) of contribution.

g. The method of valuation used to determine fair market value, such as the income approach, the comparable sales or market data approach or the replacement cost less depreciation approach.
h. The specific basis for the valuation, such as any specific comparable sales transaction.
i. That the appraisal was prepared in accordance with generally accepted appraisal standards, which are defined as the substance and principles of the Uniform Standards of Professional Appraisal Practice (USPAP), as developed by the Appraisal Standards Board of the Appraisal Foundation.

4. *Considers the impact of a conservation easement on the value of other property owned by the donor, the donor's family and the donor's business associates.*
   a. The contiguous property rule. When a donor contributes an easement over only a portion of contiguous property owned by the donor or the donor's family, the appraiser must determine the value of the easement by appraising the *entire contiguous property*, both the portion subject to the easement and the portion that is not subject to the easement.
   b. The enhancement rule. The appraiser must take into account any enhancement in the value of the property owned by a related party as a result of an easement contribution, whether or not that property is contiguous with the easement property.

5. *A qualified appraiser (who is an individual) has prepared, signed and dated and who declares on the appraisal summary that they:*
   a. Hold themselves out to the public as an appraiser or perform appraisals on a regular basis.
   b. Are qualified to make appraisals of the type of property being valued because of their background, experience, education and membership in professional associations and other qualifications described in the appraisal, pursuant to Treasury Regulation §1.170A-17.
   c. Understand that a substantial or gross valuation misstatement resulting from an appraisal value that the appraiser knows, or reasonably should have known, would be used in connection with a tax return, may subject the appraiser to a civil penalty under IRC §6695A.
   d. Are not an excluded individual, which generally includes the taxpayer or a party to the transaction, someone employed by the foregoing or a related person.
   e. Understand that an intentionally false overstatement of the value of the property may subject them to the penalty for aiding and abetting an understatement of tax liability.

6. *The following persons **cannot** be qualified appraisers with respect to a particular property:*
   a. The donor of the property or the taxpayer who claims the deduction.
   b. The donee of the property.
   c. Any person employed by, married to or related to any of the above persons.
   d. An appraiser who appraises regularly for any of the above and who does not perform a majority of their appraisals during a tax year for other persons.

Resources

- Treasury Regulation §1.170A-13(c)(3) re qualified appraisal, (c)(4) re appraisal summary and (c)(5) re qualified appraiser and, as of January 1, 2018, Treasury Regulation §1.170A-17
- Treasury Regulation §1.170A-14(h)(3) re the contiguous property rule and the enhancement rule