



## Summary of Internal Revenue Service Requirements for Appraisals of Gifts of Land and Conservation Easements

Your desire to protect a special place and its associated natural resources is likely your primary reason for donating property or a conservation easement to SELT. However, the federal tax incentives may make it possible to give generously and accomplish significant land protection goals. This fact sheet summarizes the IRS requirements for appraisals of donated land or easements when a landowner intends to seek a charitable tax deduction. While this fact sheet is intended to provide you with a solid introduction to the IRS requirements, we strongly recommend that confer with your tax advisors before filing your tax return to ensure that all provisions of the IRS regulations for appraisals and easement/land donations have been met.

Please note that appraisals of raw land are substantially different from typical residential property appraisals that most landowners are familiar with (such as for home loans). Appraisals of conservation easements are even more highly specialized and can be costly. However, obtaining an appraisal is a necessary expense if you are seeking a charitable income tax deduction for your land or easement donation. Not only is it an IRS requirement, but a well-substantiated appraisal can head off IRS challenges and ensure your deduction.

**An appraisal is necessarily the responsibility of the donor.** The donor should, however, seek an appraiser with education and experience appraising land and improvements of the type to be appraised. SELT can provide you with a list of appraiser whom we have worked with in the past who have experience with conservation properties.

### Summary of IRS Requirements

In order to take a tax deduction for gifts of land or conservation easements worth more than \$5,000, the following federal IRS requirements (Treas. Reg. 1.170A-13(c)) must be met:

- **The donor must obtain a written “qualified” appraisal.** The Treasury regulations outline specific information that must be included in the appraisal, including the following:
  1. Description of the property.
  2. Physical condition of the property.
  3. Date or expected date of contribution.
  4. Terms of any agreement or understanding which restricts the donee's use or disposal of the property.
  5. Name, address, and social security number of the appraiser.
  6. Statement of the qualifications of the appraiser.
  7. Statement that the appraisal was prepared for income tax purposes.
  8. Date on which the property was valued.
  9. Appraised fair market value of the property on the date (or expected date) of contribution.
  10. Method of valuation used to determine the fair market value.
  11. Specific basis for the valuation, such as comparable sales.
  12. Description of the fee arrangement between the donor and appraiser.
  13. Signature of the appraiser and date.
- **The appraisal must be current.** The timing of the appraisal is essential: it cannot be made earlier than 60 days before the date of the gift, and must state the fair market value of the gift as of the date of the contribution. The entire written appraisal and IRS Form 8283 must be received by the donor on or before the due date (including extensions) of the tax return on which the deduction is claimed.

*In other words, the appraisal can be prepared after the easement is donated, provided it is completed before the donor's income tax return is submitted to the IRS.*

- **The appraisal must be prepared by a “qualified” appraiser.** The term “qualified appraiser” is spelled out in the regulations; in general, the appraiser cannot have any personal stake in the property or the gift, be related to the donor, or have any business relationship with the donor or donee that would cause a reasonable person to question the appraiser's independence. The appraiser's fee cannot be based upon a percentage of appraised value. The appraiser must have met certain minimum educational and experience requirements, regularly prepares appraisals for a fee, the individual has education and experience valuing the type of property, and the individual has not been prohibited from practices before the IRS.
  
- **An IRS Form 8283, signed by the appraiser and the donee, must be attached to the federal income tax return on which the deduction for the contribution is first claimed.** This form, available from the IRS's website, asks for information required by Treasury Department regulations. It should first be completely filled out, signed by the appraiser, and then sent to SELT for the organization's authorized signature. The following information must be included in Form 8283, which is filed with the donor's tax return:
  1. Name and social security number of the donor.
  2. Description of the property.
  3. Brief summary of the physical condition of the property.
  4. Manner of donor's acquisition of the property (purchase, gift, etc.) and the date of donor's acquisition.
  5. Donor's cost or adjusted basis in the property.
  6. If the project was a bargain sale, the amount the donor received.
  7. A supplemental statement that identifies the conservation purposes furthered by the donation, the fair market value of the property before and after the conservation easement, a statement as to whether the easement donation was donated as part of a permit, and if the donor or a related person has any interest in other property nearby and a description of that interest.
  8. Name, address and tax identification number of the donee. (SELT's tax identification number is 02-0355374.)
  9. Date donee received the property.
  10. Name, address and tax identification number of the appraiser.
  11. Appraised fair market value of the property on the date of contribution.
  12. Certain declarations by the appraiser pertaining to interests in the transaction and the fee arrangement and signature of appraiser (see bottom of Form 8283).
  13. Signature of donee acknowledging receipt of the gifted property.
  14. For donations valued at greater than \$500,000 the complete appraisal must be submitted with the Form 8283.

SELT may refuse to sign the Form 8283 if it believes that the donation does not conform to tax laws, the Form 8283 is not complete, the deduction is improperly syndicated, or if the appraisal appears or borders on being fraudulent. In addition, SELT may sign the Form 8283, but may share concerns about the appraisal with the IRS.

- **The donor must maintain records containing certain information required for property contributions in general, including the complete written appraisal.**

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