



April 15, 2015

The Honorable Orrin Hatch
Chairman
U.S. Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member
U.S. Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Hatch and Ranking Member Wyden,

On behalf of the nearly 22,000 members of the largest professional organization of real property appraisers, thank you for the opportunity to provide comments on bipartisan tax reform. Like you, the Appraisal Institute supports a simpler, fairer, and more efficient tax code. Our Designated members and candidates provide a wide range of valuation services related to the tax code, including in estate, gift and income taxes relating to real property. In reviewing recent tax reform plans and budget requests from the Administration, we see a wide variety of valuation oriented tax provisions. We will focus on two provisions below, but make ourselves available to discuss any additional valuation provisions, including on the application of stepped-up basis in estate taxes, minority interests, and donations of real property.

“Qualified Appraiser”

By and large, we stand in strong support of changes enacted in the 2006 Pension Protection Act around the qualifications of appraisers. The PPA recognizes the importance of hiring qualified appraisers in the preparation of appraisals of noncash charitable contributions such as conservation easement and historical preservation donations. We believe that these “qualified appraiser” requirements should be extended to other sections of the tax code that requires an asset valuation, including estate and income tax. We believe anytime Congress, or a Federal Agency addresses an issue that has real property valuation implications we should always stress that using competent, designated appraisers is the only solution to obtaining proper valuations. Simply put, the best way to protect taxpayers is to higher the best appraisers. Therefore, we ask your Committee to carry over the “Qualified Appraiser/Qualified Appraisal” language into all tax program areas with a real property valuation component.

2016 Budget Request

The President’s Fiscal Year 2016 endorses making the enhanced tax incentive for conservation easements permanent, and it proposes a small pilot program of tax credits worth up to 50% of the value of conservation easements. The request includes several other proposed changes, including making land trusts legally liable for the conservation purpose, public benefits, and fair market value of the easement reported to the IRS, additional reporting to IRS and public disclosure of easement purposes and easement valuations. Further, the request also eliminates deductions for easements on golf courses, as well as deductions for historic building easements

attributable to development potential above the existing profile of the building (even if that were the most likely development alternative).

Generally speaking, we are comfortable with the elimination of deductions for easements on golf courses, but we have concerns with eliminated deductions for historic building easements attributable to development potential, as this would fly in the face of fundamental valuation theory and processes, in particular, the highest and best use of the property. Before moving forward on any policy provision that would deal with development potential, we encourage the Committee to review the fundamental tenets of highest and best use, which is an underpinning of real estate valuation practice.

Thank you for consideration of our views. If you have any questions, please call Bill Garber, Director of Government & External Affairs, Appraisal Institute at [REDACTED] or Brian Rodgers, Manager of Federal Affairs, Appraisal Institute at [REDACTED]

Sincerely,

Appraisal Institute