



Acting Commissioner David Kautter
Internal Revenue Service
1111 Constitution Avenue NW
Washington, DC 20224

November 15, 2017

Re: Final Rule Promulgation for REG-140029-07, and its Definition of a “Qualified Appraiser”

Acting Commissioner Kautter:

CFA Institute¹, the American Society of Appraisers (ASA)², and the National Association of Independent Fee Appraisers (NAIFA)³ are writing to the Internal Revenue Service (IRS) to seek promulgation of final rules in the above captioned rulemaking, and specifically, to request that the IRS strongly consider enumerating those professional credentials that would suffice under the requirements of §1.170A-17(b)(2)(i)(B).

In 2008 the Service, in its Proposed Rule, defined the education and experience requirements that qualified appraisers must possess under income tax regulations. Under § 170 of the Internal Revenue Code, specifically Section 1.170 A-17(b)(1) on Qualified Appraisers: *“An individual is treated as having education and experience in valuing the relevant type of property if the individual has satisfied at least one of the following two requirements:*

1. *Successfully completed (for example, received a passing grade on a final examination) professional or college-level coursework in valuing the relevant type of property, and has two or more years of experience in valuing the relevant type of property⁴.*

OR

2. *Earned a **recognized appraisal designation** for the relevant type of property. A recognized appraisal designation is defined as a designation awarded by a recognized professional appraiser organization on the basis of demonstrated competency.”*

Cont’d...

¹ CFA Institute represents the views of investment professionals before standard setters, regulatory authorities, and legislative bodies worldwide on issues that affect the practice of financial analysis and investment management, education and licensing requirements for investment professionals, and on issues that affect the integrity and accountability of global financial markets.

² The American Society of Appraisers is a multi-discipline, non-profit, international organization of professional appraisers representing all appraisal disciplines: Appraisal Review and Management, Business Valuation, Gems and Jewelry, Machinery and Technical Specialties, Personal Property and Real Property.

³ The National Association of Independent Fee Appraisers is a Real Property appraiser professional organization, representing both residential and non-residential appraisers.

⁴ The above-mentioned **coursework** must be obtained from:

- a professional or college-level educational organization described in IRC Section 170(b)(1)(A)(ii) (see below), or
- A generally **recognized professional appraisal organization** that regularly offers educational programs in the principles of valuation, or
- An employer as part of an employee apprenticeship or educational program.

While the Service did provide examples of what it would consider to be a “recognized appraisal designation” in §1.170A-17(b)(2)(iii), the Service did not explicitly lay out in precise terms what designations would meet the definition.

We recognize that the Service may have taken this approach to avoid showing any preference for a particular designation at the time. However, with the proliferation of appraiser designations – each with its own range of educational, experiential, and testing requirements – it may now be advisable for the Service to provide more specific guidance in the best interests of government agencies, banking/leasing institutions, financial institutions, insurance companies, wealth management companies, and consumers. It is imperative that only those designations that reflect the highest standards of practice⁵ be recognized, so that institutions and taxpayers have the highest degree of confidence and trust when relying on these professionals.

We would respectfully request that the Service considers recognizing the Accredited Senior Appraiser (ASA) and Accredited Member (AM) designations offered by the American Society of Appraisers; the Chartered Financial Analyst (CFA) designation offered by CFA Institute; and, the Independent Fee Appraiser (IFA), Senior Independent Fee Appraiser (IFAS), Agricultural Independent Fee Appraiser (IFAA), and Independent Fee Appraiser Counselor (IFAC) designations offered by the National Association of Independent Fee Appraisers.

These designations have proven rigor in the valuation profession, and they are a mark for excellence because of their stringent criteria in education, experience, and professionalism. They also reflect commitments made by the designated appraiser to remain fully objective in their work, and avoid personal, professional, or financial conflicts of interest that could otherwise cloud their judgment when developing an opinion of value. Such conflicts pose harm both to the taxpayer and the Service, and must be avoided at all costs.

Moreover, these designations share similar requirements. The CFA designation meets the educational requirements of the ASA designation for business valuation professionals. Those holding a CFA credential with five years of full-time business valuation experience qualify for ASA’s education equivalency. To obtain an ASA designation, CFA Charterholders must take a Uniform Standards of Professional Appraisal Practice (USPAP) course, meet ASA’s ethics requirements, and submit a report for peer review. NAIFA and ASA, meanwhile, have in place a Reciprocal Agreement and recognize each other’s designations as being substantially similar in educational, experiential, and testing requirements.

We would be pleased to discuss our comments in greater detail, or to provide any other assistance that would be helpful. If you have any questions or wish to discuss our views further, please contact John D. Russell, JD, Senior Director of Government Relations and Chief Lobbyist for ASA at jrussell@appraisers.org, or by phone at 703-733-2103.

Sincerely,
CFA Institute
American Society of Appraisers
National Association of Independent Fee Appraisers

CC: Stephen Whitlock, Director, Office of Professional Responsibility
Donna Hansberry, Chief, Office of Appeals

⁵ We would point to the Real Property and Personal Property Appraiser Qualification Criteria, as promulgated by the Appraiser Qualifications Board of the Appraisal Foundation, as providing bright line minimum requirements for who is qualified to be an appraiser. As sponsors of the Appraisal Foundation, the designations of ASA and NAIFA must meet the minimum criteria established by the Appraisal Qualification Board.