

# Who Sets the Criteria for a “Qualified” Appraiser?

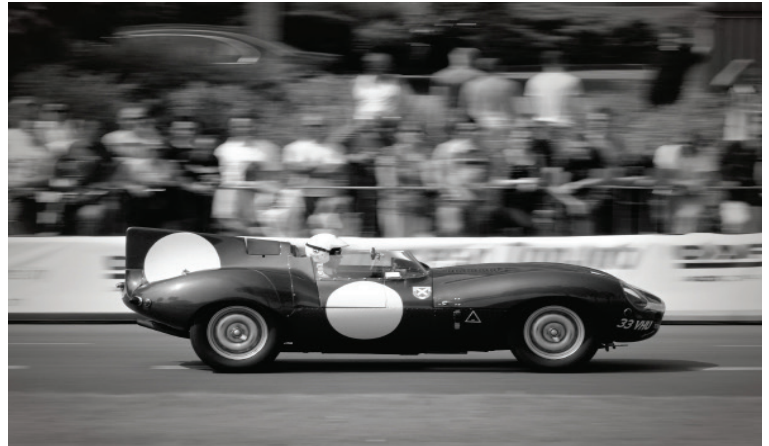
By Tom Simatos, ASA  
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*It's never simple to find a qualified professional.*



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When looking for a good attorney, accountant or doctor, for example, you of course require a valid JD, CPA or MD credential, then you identify the relevant specialization and finally you ask around for references. While there are similarities in the process for finding an appraiser, there is also one significant difference: the term “qualified appraiser” has a statutory definition. So, if you want to donate your Jaguar D-Type to a museum, you need to take a few more steps to be sure that your appraiser is considered “qualified” by the IRS.



*Jaguar D-Type sold at RM Sotheby's in August 2016 for \$21.8 million<sup>1</sup>*

The definition of “qualified appraiser” for charitable contributions as amended in section 1219 of the Pension Protection Act of 2006 is as follows:

- QUALIFIED APPRAISER** —Except as provided in clause (iii), the term ‘qualified appraiser’ means an individual who—
- (I) has earned an appraisal designation from a recognized professional appraiser organization or has otherwise met minimum education and experience requirements set forth in regulations prescribed by the Secretary,
  - (II) regularly performs appraisals for which the individual receives compensation, and
  - (III) meets such other requirements as may be prescribed by the Secretary in regulations or other guidance.
- (iii) **SPECIFIC APPRAISALS** —An individual shall not be treated as a qualified appraiser with respect to any specific appraisal unless —
- (I) the individual demonstrates verifiable education and experience in valuing the type of property subject to the appraisal, and
  - (II) the individual has not been prohibited from practicing before the Internal Revenue Service by the Secretary under section 330(c) of title 31, United States Code, at any time during the 3-year period ending on the date of the appraisal.<sup>2</sup>

1. iStock.com/Sjoerd van der Wal

2. United States. Congress. Pension Protection Act of 2006. Public Law 109-280. (2006, August). Retrieved from <https://www.congress.gov/109/plaws/publ280/PLAW-109publ280.pdf>

**The IRS has additional requirements for selecting a qualified appraiser. Below are the criteria prescribed by the Secretary in IRS Publication 561 *Determining the Value of Donated Property* about who cannot be a “qualified appraiser.”**

**EXCLUDED INDIVIDUALS** - The following persons cannot be qualified appraisers with respect to particular property.

1. The donor of the property, or the taxpayer who claims the deduction.
2. The donee of the property.
3. A party to the transaction in which the donor acquired the property being appraised, unless the property is donated within 2 months of the date of acquisition and its appraised value is not more than its acquisition price. This applies to the person who sold, exchanged, or gave the property to the donor, or any person who acted as an agent for the transferor or donor in the transaction.
4. Any person employed by any of the above persons. For example, if the donor acquired a painting from an art dealer, neither the dealer nor persons employed by the dealer can be qualified appraisers for that painting.
5. Any person related under section 267(b) of the Internal Revenue Code to any of the above persons or married to a person related under section 267(b) to any of the above persons.
6. An appraiser who appraises regularly for a person in (1), (2), or (3), and who does not perform a majority of his or her appraisals made during his or her tax year for other persons.

In addition, a person is not a qualified appraiser for a particular donation if the donor had knowledge of facts that would cause a reasonable person to expect the appraiser to falsely overstate the value of the donated property. For example, if the donor and the appraiser make an agreement concerning the amount at which the property will be valued, and the donor knows that amount is more than the FMV of the property, the appraiser is not a qualified appraiser for the donation.<sup>3</sup>

In practical terms, this means that, for example, the donee museum or the auctioneer who sold you the Jaguar would be disqualified from appraising the vehicle for a charitable contribution. Instead, prospective donors are required to hire a professional appraiser who performs assignments with impartiality, objectivity, and independence as required by the *Uniform Standards of Professional Appraisal Practice*.

**> The simplest path to finding a qualified appraiser is to begin with a search of the “Find an Appraiser” feature on the website of the American Society of Appraisers (ASA).**

You can search by location and by discipline to help identify an accredited appraiser specializing in automotive appraisals, who meets the statutory requirements and more.

The ASA accreditation process is rigorous and ensures that accredited ASA appraisers have training and experience that exceeds the IRS and statutory requirements. In addition, ASA appraisers are required to abide by the *Uniform Standards of Professional Appraisal Practice* and to maintain competence with continuing education. ■

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3. United States. Department of the Treasury. Internal Revenue Service. (2007, April) *Determining the Value of Donated Property*. Retrieved from <https://www.irs.gov/pub/irs-pdf/p561.pdf>