

Colorado Coalition of Appraisers comments regarding:

HB19-1264 Efficiency of Conservation Easement Tax Credit Program

In the proposed legislation:

12-61-1106 (II) "...OR AN ALTERNATIVE METHOD ACCEPTABLE TO THE DIVISION OF CONSERVATION ...."

On page 34 of the federal Internal Revenue Service publication *Conservation Easement Audit Techniques Guide*, Revision Date – January 24, 2018, Chapter 7: Qualified Appraisal Requirements, page 34, second paragraph, "Section 3.02(2) of Notice 2006-96 states that an appraisal will be treated as having been conducted in accordance with generally accepted appraisal standards if, for example, the appraisal is consistent with the substance and principles of the Uniform Standards of Professional Appraisal Practice (USPAP) as developed by the Appraisal Standards Board of The Appraisal Foundation."

The federal Internal Revenue Service in its Audit Techniques Guide clearly does not say anything like '*or other alternative*'.

Uses of an alternative to the Uniform Standards of Professional Appraisal Practice (USPAP) likely would put the donor of a conservation easement at risk of federal fines and penalties.

12-61-1106 (14.5)(a)(I) "AN ALTERNATIVE METHOD TO THE APPRAISAL PROCESS ..."

On page 34 of the federal Internal Revenue Service publication *Conservation Easement Audit Techniques Guide*, Revision Date – January 24, 2018, Chapter 9: page 47 Methodology, fourth paragraph "There are three recognized valuation methodologies within the appraisal industry:

- Sales Comparison Approach (SCA)
- Cost Approach (CA)
- Income Approach (ICA)

All three approaches should be considered in every appraisal assignment. This does not mean that all three approaches need to be applied."

On page 49 of the federal Internal Revenue Service publication *Conservation Easement Audit Techniques Guide*, Revision Date – January 24, 2018, Chapter 9; the following additional information is provided, "**Subdivision Development Method** In the valuation of land conservation easements, many appraisals include a land residual analysis using Subdivision Development Method. Although appraisers have to this approach as a different valuation methodology, the Subdivision Development Method is an adaptation (or subset) of the income capitalization method. The reason appraisers refer to it as "another" method is because the analysis utilizes a combination of both the sales comparison and cost approaches ...."

Again, the federal Internal Revenue Service in its Audit Techniques Guide clearly does not say anything like '*or other alternative*'.

The Colorado Coalition of Appraisers thinks it is both improper and irresponsible to put Colorado conservation easement donors at risk of federal fines, interest expenses, and penalties.

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