Appraisal Strategies for Estate Planning Professionals

Ryan Ward, MAI
President, Ward Levy Appraisal Group, Inc.

WARD LEVY
APPRAISAL GROUP INC

About Ward Levy Appraisal Group, Inc.

Providing Real Estate Appraisal Services in the North Bay for over 30 years.

Valuations for:

- Estates & Gifting
- Litigation Support & Expert Witness
- Eminent Domain
- Asset Valuation
- Partnership Buyout or Dissolution
- Financing (Private & Federally Regulated Lenders)

WARD LEVY
APPRAISAL GROUP INC

What is an Appraisal?

The act or process or developing an opinion of value; an opinion of value.

2024 Uniform Standards of Professional Appraisal Practice (USPAP)

How are appraisal fees determined?

- The complexity of the assignment
- The report format required (Communication of the Results)
- The timing needs of the client

Complexity
Property Type

- Office
- Industrial
- Retail
- Mixed-use
- Land
- Residential
- Special Purpose

Complexity
Date of Value

- Retrospective (Date of Death or Date of Gift)

    If this date is well in the past, it might increase the appraisal fee due to additional research being required. We have appraised properties for a step up in basis up to 20 years past the date of death

- Current (As of the Date of Inspection)

Complexity
Property Rights Appraised

- Fee Simple
- Leased Fee
- Leasehold
- Life Estate

A note about Fractional Ownership Interests

We appraise the value of the 100% interest in the property. Fractional ownership discounts are provided separately using the 100% interest. Discounts are based on the underlying ownership structure, and such a valuation is performed by CPAs, other appraisers (Louis) or other specialists.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Owner-Occupied or Vacant

Scope of Work Could Possibly Include on a Sales Comparison Approach only

**The Dictionary of Real Estate Appraisal, 7th Edition*

WARD LEVY APPRAISAL GROUP INC

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Partially owner-occupied or tenant-occupied

An Investment Property

Scope would include an Income Approach as well as a Sales Comparison Approach

**The Dictionary of Real Estate Appraisal, 7th Edition*

WARD LEVY
APPRAISAL GROUP INC

Report Types

Appraisal Report

Restricted Appraisal Report

The Appraisal Process is the same regardless of the report format. The appraiser undertakes the same level of research and analysis and arrives at the same value conclusion.

Key Differences Between the Two

	<u>Appraisal Report</u>	<u>Restricted Appraisal Report</u>
Level of Detail	*<u>Summarizes</u>* data/methods/reasoning in detail for intended users to understand conclusions made.	*<u>States</u>* data, methods, and reasoning with minimal detail.
Complexity	More comprehensive and transparent.	More concise, often used for internal decision-making only.
Typical Use Cases	Lending purposes, tax assessment, litigation, etc.	Internal portfolio review, estate planning, and/or when the client needs only a basic indication of value.

Does that mean I must get the full Appraisal Report?

- The IRS does not mandate a certain report type
- Restricted Reports must meet a minimum standard per USPAP but can include more than the minimum. They would still be labeled as a "Restricted Appraisal Report"
- The appraiser's workfile will include sufficient information to write an Appraisal Report.
- Make sure you understand what the appraiser's report will include when engaging them.
- Do you need?
    - Comparable Data Sheets
    - Exhibits
    - Adjustment Grids

WARD LEVY
APPRAISAL GROUP INC

IRS Qualified Appraiser

- Education and Training: The appraiser must have completed professional or college-level coursework in valuing the type of property being appraised.
- Experience: They should have verifiable experience in appraising the type of property for which the appraisal is performed.
- Certification and Licensing: The appraiser must be licensed or certified in the state in which they practice, if applicable, and meet the regulatory requirements for the type of property being appraised.
- Professional Designations: Holding a professional designation from a recognized appraisal organization (e.g., the Appraisal Institute, the American Society of Appraisers, the International Society of Appraisers) can help establish the appraiser's qualifications.
- Regular Practice: The appraiser must regularly perform appraisals for compensation. This means they should be actively engaged in the appraisal profession.
- Independence: The appraiser should not have a prohibited relationship with the donor or donee, meaning they should not be related or have any conflict of interest that could affect their impartiality.
- Compliance with Standards: The appraiser must adhere to the Uniform Standards of Professional Appraisal Practice (USPAP) or similar professional appraisal standards.

IRS Treasury Regulation § 301.6501(c)-1(f)(3)

WARD LEVY
APPRAISAL GROUP INC

IRS Qualified Appraisal

Timing of the Appraisal – The appraisal must be completed no earlier than 60 days before the date of the contribution or other relevant event and no later than the due date of the tax return (including extensions) on which the deduction is claimed.

Detailed Appraisal Report – The appraisal report must be thorough and detailed, including:

- A detailed description of the property.
- The physical condition of the property.
- The date of the contribution or relevant event.
- The terms of any agreement or understanding relating to the use, sale, or other disposition of the property.
- The appraiser's qualifications.
- A statement that the appraisal was prepared for income tax purposes.
- The method of valuation used to determine the fair market value.
- The specific basis for the valuation, including any data used (e.g., comparable sales, market data).

IRS Treasury Regulation § 301.6501(c)-1(f)(3)

WARD LEVY APPRAISAL GROUP INC

Initial Inquiry

- Address & Property Type
- Who is the Client?

  The individual, group or entity who orders the appraisal

- What is the Intended Use?

  Estate Valuation, Asset Valuation, Partnership buyout, Establish a purchase/sales price

- Who are the Intended Users?

  The party or parties that will use and rely on the report. Always includes the client but can include others

Initial Inquiry

- What are the Property Rights to be Appraised?

  Fee Simple, Leased Fee, Leasehold, Life Estate

- What is the Date of Value?

  Current (As of Inspection) or Retrospective

- What is the Definition of Value?

  Federal (typical), State (Eminent Domain, Legal Matter), FIRREA (lender)

Thank You

Ryan C. Ward, MAI
President

Ward Levy Appraisal Group, Inc.
427 Mendocino Avenue, Suite 100
Santa Rosa, CA 95401