



An Introduction to Appraisals for Donated Conservation Easements

The IRS requires that a “qualified appraisal” must be prepared by a “qualified appraiser” in order for a donated conservation easement or a bargain sale of conservation easement be considered for a Federal Income tax deduction. For easements valued at more than \$500,000, a copy of the appraisal must be included with the landowner’s tax return.

A qualified easement appraisal determines the value of a donated easement by calculating the fair market value of the property *before* and *after* the easement takes effect. The difference between the two values is the easement value. The *before* value of the property is based on the property’s highest and best use prior to being encumbered by an easement. This *before* value typically reflects the land’s potential development value. The *after* value reflects the restrictions placed on the property by the conservation easement.

Therefore, the more restrictive the easement is, the greater the reduction in property value— and the greater the easement value or amount of the charitable donation.

Appraisals should take into account the sale of comparable properties that are encumbered with similar restrictions.

When to get an appraisal: The “effective date” of an appraisal must be no earlier than 60 days prior to the date the landowner contributes the easement (the date the Deed of Conservation is signed) and no later than the due date of the income tax return on which a deduction for the gift is first claimed or reported.

An estimated cost of an Appraisal: The cost of a conservation easement appraisal in Baltimore and Harford County generally ranges from \$2,500-\$10,000. This cost can be higher or lower depending on the complexity of the project and property size. *Appraisal costs are the sole responsibility of the land owners.* The fee arrangement for the appraisal cannot be based on a percentage of the appraised value of the property.

IRS can penalize for overvaluation and undervaluation. The IRS can attach penalties to the overvaluation of a conservation easement donation on an income tax return. The IRS can also apply penalties to an undervaluation of land under easement on a gift or estate tax return. The Manor Conservancy recommends using experienced appraisers to reduce such risks. See our Partners page ([link](#)) for a list of appraisers with easement experience.

The information contained in this document is only an overview of the major Internal Revenue Code requirements, Treasury Regulations and associated guidance documents as they relate to

Easement valuations and appraisals. This is not a comprehensive listing or explanation of all requirements for obtaining a Federal Income tax deduction. The explanation of complex tax issues provided in this factsheet has been greatly simplified. For more detailed advice and information, you should seek professional counsel from your attorney and accountant. The Manor Conservancy cannot assure the deductibility of a conservation easement donation.