From Our Readers

“The Appraiser’s Role in Calculating Casualty Loss Deductions from Natural Disasters”

To the Editor

In researching guidance on appraisal disaster work, I came across The Appraisal Journal article “The Appraiser’s Role in Calculating Casualty Loss Deductions from Natural Disasters” (Winter 2014) by James K. Smith, PhD, JD, and Barbara Lougee, PhD. I found this article to be misleading.

In that article, the authors reference the Internal Revenue Code 170 definition of qualified appraiser related to charitable deductions and appear to create a bias towards appraisers with an Appraisal Institute designation. However, the relevant code is IRS Publication 547, which does not state the appraiser attributes mentioned in the article. Publication 547 on casualties, disasters, and theft states, “Several factors are important in evaluating the accuracy of an appraisal, including the following: The appraiser’s familiarity with your property before and after the casualty or theft, the appraiser’s knowledge of sales of comparable property in the area, the appraiser’s knowledge of conditions in the area of the casualty, and the appraiser’s method of appraisal.”

I think it is in the interest of appraisal professionals to publish accurate facts relevant to casualties, disasters, and theft, not information listed in the Internal Revenue Code for charitable deduction purposes.

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Authors’ Response

We appreciate Ms. Kaneta’s comments on our use of the term “qualified appraiser” in The Appraisal Journal article “The Appraiser’s Role in Calculating Casualty Loss Deductions from Natural Disasters.” The relevant part of the article that she is objecting to states as follows:

It is important for the appraiser selected to aid in the calculation of the casualty loss to be both qualified and competent. The IRC defines a “qualified appraiser” as an individual who: (1) has earned a recognized appraisal designation from a recognized professional organization, (2) regularly performs appraisals for compensation, and (3) can demonstrate verifiable education and experience in valuing the type of property for which the appraisal is being performed.\(^1\) An example of a recognized appraisal designation “is a designation similar to the Member of the Appraisal Institute (MAI).”\(^2\) IRS regulations also state that taxpayers should use a “compe-

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1. IRC § 170(f)(11)(E)(ii) and (iii) establish these requirements for appraisers used by taxpayers to estimate the FMV of property for charitable deduction purposes.
tent appraiser” to determine the decline in FMV caused by the casualty. In determining the competency of an appraiser, the IRS lists several factors to consider, such as the appraiser’s: (1) knowledge of conditions in the area, (2) familiarity with the property before and after the casualty, (3) knowledge of sales of comparable property in the area, and (4) method of appraisal.

We point out in the article that “it is important” for an appraiser to be “both qualified and competent.” We are not saying that it is required for the appraiser to be “qualified,” but it certainly is important. The language we use in the article that defines a “qualified appraiser” is taken directly from the Internal Revenue Code and IRS Regulations, which are both considered to be primary sources of law (i.e., IRC 170(f)(11)(E)(ii) and (iii) and Reg. § 1.170A-17(b)(2)(iii)). Ms. Kaneta mentions an IRS Publication that is not considered a primary source of law. Further, the factors mentioned in the IRS Publication (e.g., the appraiser’s familiarity with the property before and after the casualty or theft, etc.) are mentioned in our article and are only used for “evaluating the accuracy of an appraisal.” Internal Revenue Code sections and IRS Regulations take preference over an IRS Publication.

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Editor’s Note
Readers are reminded that the information in articles in The Appraisal Journal constitutes a snapshot in time and is not legal advice. Readers should consult current relevant statutes, regulations, advisory opinions, and court cases for the most complete, up-to-date information.

3. Reg. § 1.165-7(b)(2).