February 24, 2025

CC:PA:01:PR
Room 5203
Internal Revenue Service
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

RE: REG-116610-20

To Whom It May Concern,

On behalf of the more than 16,000 members of the largest organization of professional real estate appraisers in the country, the Appraisal Institute wishes to express our strong opposition to the proposed IRS rule changes that would amend Circular 230 by revising the standards for the disqualification of appraisers. This rule presents a severe threat to the appraisal profession, weakens due process protections, and grants the IRS unchecked power to penalize and disqualify appraisers without appropriate oversight.

Under the proposed changes, the IRS could disqualify an appraiser from presenting evidence or testimony in IRS proceedings without first requiring an assessed penalty, as is now the case. This rule would allow appraisers to be disqualified based on vague accusations of recklessness or gross incompetence, without the opportunity for a fair defense or independent adjudication. By removing the penalty prerequisite, the IRS assumes unilateral authority to disqualify appraisers at will. Simple disputes over an opinion of value can thus have potentially career-ending consequences for professionals who have no clear recourse to challenge such determinations.

Additionally, the IRS routinely disputes appraisal values in tax matters, particularly with estate, gift, and charitable contribution valuations. However, these disputes are often a matter of differing professional judgment and opinion, not misconduct. The proposed rule would allow the IRS to treat the valuation conclusions of its own internal appraisers as absolute. Penalizing appraisers even before an independent review or court ruling has taken place unfairly shifts the burden onto appraisers and creates an environment where valuation professionals will be discouraged from taking on IRS-related work altogether.

The Broader Impact on the Appraisal Profession and Market Stability

If implemented, this rule will have severe consequences for the appraisal profession, consumers, and the broader market:

- *Loss of Qualified Appraisers* – The risk of arbitrary penalties and disqualification will deter professionals from engaging in IRS-related appraisals, leading to fewer available experts for taxpayers.

- *Reduced Independent Valuation Opinions* – Appraisers may feel pressured to conform to IRS valuation expectations, which would stifle independent judgment, undermine the integrity of the profession, and leave taxpayers and property owners with an unfairly high tax burden.

- *Increased Costs and Delays* – With fewer appraisers willing to take on IRS-related assignments, taxpayers will face higher fees and longer wait times for appraisal services.
- *Diminished Public Trust in the Appraisal Process* – Allowing the IRS to act as both judge and jury in determining appraisal credibility erodes confidence in the expectation of fair and impartial valuations.

A Better Alternative: The Need for an Independent Appraisal Review Panel (ARP)

Rather than granting the IRS unchecked authority over the appraisal profession, we urge the implementation of an Appraisal Review Panel, ideally modeled after Canada's Ecological Gifts Program. This program ensures fair and independent valuation review while reducing the need for costly and time-consuming litigation.

The Appraisal Review Panel would provide a structured, transparent process where highly experienced, peer-reviewed appraisers who have held national certifications for at least 15 years and have experience in complex valuations, such as conservation easements, would review the valuations. Within 90 days of submission, the Appraisal Review Panel would issue its own Determination of Fair Market Value, which taxpayers could either accept or appeal. This system would save time, reduce disputes, and restore fairness to the appraisal process.

Conclusion

The proposed IRS rule is an overreach of regulatory authority that threatens the ability of appraisers to operate independently and fairly. This rule undermines professional integrity, weakens consumer protection, and increases financial uncertainty for taxpayers by removing due process protections and allowing disqualifications based on IRS valuation disputes. We urge the IRS to withdraw this proposal and instead support the establishment of an independent Appraisal Review Panel to ensure fairness, transparency, and appropriate professional oversight.

We appreciate your attention to this critical issue and welcome the opportunity to discuss it further. Please do not hesitate to contact Scott DiBiasio, Director of Government Relations for the Appraisal Institute, at 202-292-5593 or sdibiasio@appraisalinstitute.org, or Brian Rodgers, Senior Manager of Government Relations, at (202) 298-5597 or brodgers@appraisalinstitute.org should you have any questions.

Sincerely,

Appraisal Institute