



NMTRD-Property Tax Division

Conservation Easement Appraisal Guidelines

- Must comply with Rule 3.13.20 NMAC, which requires compliance with Treasury Regulations Title 26 CFR Sec. 1.170A-13, 1.170A-14, 1.170A-17 (and relevant Notices/Bulletins), the Uniform Standards of Professional Appraisal Practice (USPAP), and requires use of proper methodology and a reasonable conclusion concerning value.
- Must be completed by a New Mexico General Certified Appraiser 3.13.20.7.Q NMAC
- A fully documented Appraisal Report is expected – 3.13.20.10.G(4) NMAC
- Prepared, Signed, and Dated by a Qualified Appraiser 1.170A-17 (a) & (b)
- Appraisal report not made earlier than 60 days prior to date of donation (recordation) 1.170A-17(a)(4)
- Effective Date of Value must be the date, or expected date, of contribution 1.170A-17(a)(5)(ii)
- The Treasury Regulation definition of Market Value – 26 CFR Sec. 1.170A-1(c)(2) per 1.170A-17(a)(3)(i)(D)
- Define the Property Rights Appraised in the “Before” and “After” (If Before and After methodology is used) USPAP
- Property description in sufficient detail to ascertain that the property appraised is the contributed property 1.170A-17(a)(3)(i)(A)
- In the case of tangible property, the physical condition of the property 1.170A-13(c)(3)(ii)(B) – Improvements must be appraised if there is a change in use, value, or depreciation
- Valuation Methods and reasons for any exclusions 1.170A-17 (a)(3)(viii), USPAP
- Appraise the entire “Contiguous Family-Owned Property” (Family defined in Sec. 267(c)(4) in the “Before” and “After” 1.170A-14(h)(3)(i) Must be valued as one tract.



-
- In depth highest and best use analysis in the “Before” and “After” – family-owned properties may have different highest and best uses within the ownerships 1.170A-14(h)(3)(ii)
 - Specific Basis of Valuation 1.170A-17(a)(3)(ix)
 - Statement that the appraisal was “Prepared for Income Tax Purposes” 1.170A-17(a)(3)(vii)
 - Statement regarding “Qualified Appraisal” 3.13.20.10.G(4) NMAC as defined by 1.170A-17(a)
 - Statement regarding “Qualified Appraiser” 3.13.20.10.G(4) NMAC as defined by 1.170A-17(b)
 - Appraisers Declaration: “I understand that my appraisal will be used in connection with a return or claim for refund. I also understand that, if there is a substantial or gross valuation misstatement of the value of the property claimed on the return or claim for refund that is based on my appraisal, I may be subject to a penalty under section 6695A of the Internal Revenue Code, as well as other applicable penalties. I affirm that I have not been at any time in the three-year period ending on the date of appraisal barred from presenting evidence or testimony before the Department of the Treasury or the Internal Revenue Service pursuant to 31 U.S.C 330(c)” 1.170A-17(a)(3)(vi)
 - Appraisers Declaration in the appraisal that, because of the appraiser’s education and experience, the appraiser is qualified to make appraisals of the type of property being valued. 1.170A-17(b)(4)
 - Fair Market Value conclusion in the “Before” and “After” (If Before and After methodology is used) 1.170A-14(h)(3)(ii)
 - Terms and analysis of the conservation easement deed restrictions 1.170A-13(c)(3)(ii) & 1.170A-17(a)(3)(ii)
 - All contiguous and non-contiguous property of related parties (defined by IRS Sec. 267(b) must be fully addressed and appraised for enhancement if deemed necessary 1.170A-14(h)(3)(i)



-
- Qualifications to value the type of property being valued, including the appraiser’s education and experience 1.170A-17(a)(3)(iii)(B)
 - A “Hypothetical Condition” may be required, either in the “Before” or in the “After” valuation USPAP
 - Name, Address, and Tax Identification Number of the appraiser 1.170A-17(a)(3)(iii)(A) (Form 8283 Appraisal Summary)
 - State the value of the Conservation Easement (value of the Donation) 1.170A-14(h)(3)
 - State the value of the Enhancement (value of the Diminution) if any 1.170A-14(h)(3)(i)
 - Dedicated “Open Space” does not qualify under - 3.13.20.8.E NMAC
 - The “Development Approach” cannot be used as the sole means of valuation – 3.13.20.7.P NMAC
 - The applicant will be notified if the appraisal does not meet all requirements and have 45 days from notification by the Energy, Minerals and Natural Resources Department to have their appraiser address any deficiencies noted with the appraisal report under review 3.13.20.12 NMAC

Sources for Additional Information: 7-2-18.10 NMSA, 7-2A-8.9 NMSA, 3.13.20 NMAC, IRC 170(f)(11), CFR26 Sec. 1.170A-13, 14 & 17, IRS Publication 526, IRS and Publication 561, IRS Notice 2006-96, Notice 2017-10, IRS Bulletin 2018-33, IRS Memorandum No. 201334039

A list of appraisers with conservation easement appraisal training can be found on professional websites such as, the Appraisal Institute and the American Society of Farm Managers and Rural Appraisers. When interviewing appraisers, it is recommended to confirm conservation easement education, as well as experience. It is also recommended to ask if their appraisals have had any problems in the review process by the Property Tax Division or the Internal Revenue Service.

If you have any further questions you can call the PTD-Appraisal Bureau at (505) 827-0885.