

The Prairie Enthusiasts, Inc.

Land Valuation & Tax Benefit Policy

Recommended by Land Protection Committee: November 16, 2011

Adopted by TPE Board of Directors: January 25, 2012

Land Valuation:

When purchasing land, conservation easements or other real property at fair market value or in a bargain sale, The Prairie Enthusiasts, Inc. (TPE) shall obtain a qualified independent appraisal to justify the purchase price. However, TPE may choose to obtain a letter of opinion from a qualified real estate professional in the limited circumstances when a property has a very low economic value or a full appraisal is not feasible before a public auction. In limited circumstances where acquiring above the appraised value is warranted, TPE will document the justification for the purchase price and that there is no impermissible private benefit. If negotiating for a purchase below the appraised value, TPE ensures that its communications with the landowner are honest and forthright.

When purchasing land for which TPE is seeking grants, TPE shall use qualified appraisers that meet and follow the requirements set forth by the granting source. In cases where the granting sources order a second appraisal, they will review the two appraisals and make a determination as to which appraisal they accept as the value for granting purposes. TPE will accept their determination as to the value of the land interest. If the valuation is different from the TPE-ordered appraisal, TPE files shall include documentation from the grant source justifying their determination. The documentation shall be provided to TPE auditors. For all other land purchases TPE's appraisal shall be used.

Tax Benefits:

All correspondence to landowners anticipating a potential tax deduction for a donated conservation easement, donated property, or a bargain sale of either a conservation easement or a fee title property must specify certain details. These include the responsibilities of the landowner in conducting an appraisal, what TPE will require, and how TPE and the landowner will conduct the land protection project process. Once the project is complete TPE requests that the potential tax deduction that the landowner claims with the Internal Revenue Service (IRS) be handled in a specific manner. This policy outlines and specifies the details as to how all transactions that may result in a donor claiming a potential tax deduction is handled.

Engagement Letter:

Once a land protection project has been reviewed by the Land Protection Committee and voted by the Board of Directors to be initiated, the appropriate engagement letter must be sent to the landowner which will specify the following:

- Explain the steps and process that will be necessary to complete the land protection project.
- The costs the landowner may incur, which may include:
 - Attorney representation
 - Survey
 - Appraisal
 - Conservation easement or Land stewardship & defense funding

- That TPE does not provide professional advice but can provide referrals for such services.
- The project must comply with Internal Revenue Code 170(h).
- TPE cannot guarantee the landowner a potential tax deduction.
- The landowner is responsible for conducting an appraisal if they wish to claim a potential tax deduction. In addition:
 - The appraisal must be done by an appraiser who follows the Uniform Standards of Professional Appraisal Practice.
 - The appraisal must be done within 60 days of the land protection project closing.
 - TPE will request a copy of the appraisal
 - TPE will not willingly participate in a project if it has significant concerns about the tax deduction.

Appraisal Review:

Although TPE is not certified to conduct appraisals, it is important that each appraisal TPE receives for a land protection project where a tax deduction is to be claimed is reviewed to ensure it is accurate and complete. Thus it is the practice of TPE to conduct a review of each appraisal it receives in accordance to this policy. This practice starts by informing a potential donor with an engagement letter as specified above and herein. Specifically if TPE believes that the donation does not conform to tax law, it may refuse to sign Form 8283, and providing that advice in writing beforehand, the donor(s) cannot say they were not warned. An appraisal reviewed by TPE should contain the following:

- The date, or anticipated date, of the contribution.
- The purpose for which the appraisal is prepared.
- The date on which the property was valued.
- The appraisal is for the correct piece of property. The appraisal should include a general legal description of the property in sufficient detail for someone not familiar with the property to determine that the property appraised is the property that was contributed.
- A description of the physical condition of the property.
- The name, address, and taxpayer identification number of the appraiser.
- The qualifications of the appraiser including background, experience, education, and membership in professional appraisal associations.
- The terms of any agreement or understanding by the donor related to the use or disposition of the property.
- The appraisal method or approach (such as the income approach, the comparable sales or market value approach, or the replacement cost less depreciation approach).
- The specific basis for the valuation, such as any comparable sales transactions.
- The appraised fair market value on the date or expected date of the contribution.
- The appraisal is prepared, signed, and dated by a qualified appraiser.
- For conservation easement appraisals it should also include:
 - The appraiser's assumptions and conclusions regarding the fair market value of the property of the date of the contribution, including fair market value of the property before the easement was in place and the fair market value of the property after the easement was conveyed to TPE.

- An objective analysis of the likelihood that the property would be developed absent the restriction in the conservation easement, including the effect of any zoning or conservation laws that already restrict the property's highest and best use.
- An analysis of the impact of permitted uses and any reserved development rights set out in the conservation easement.
- The impact of the conservation easement value on the value of any contiguous or non-contiguous land owned by the donor, relative, or related party, or interested party.

IRS Form 8283

Once a land protection project that may result in a potential tax deduction is completed, TPE will request a copy of the appraisal which will substantiate the value of the potential tax deduction. Once the appraisal is received, TPE will provide the landowner with a contemporaneous gift letter specifying the amount of the gift made to TPE. A separate letter explaining the process to file the potential deduction with the IRS with forms 8283 and or 8282 as necessary will also be provided to the landowner (see Exhibit A). The following process will be followed when filling out the IRS form 8283:

- TPE will direct the landowner to fill out Section B, Part 1 "Information on Donated Property." Once this is completed the landowner will be directed to forward the form to the appraiser.
- The appraiser must fill out Part 3 "Declaration of Appraiser" and then forward the form onto TPE for its signature.
- If both Section B Part 1 & 3 are both filled out and signed and TPE has received a copy of the appraisal, it will sign the form and make a copy according to TPE Records Policy and send the original signed copy to the landowner.
- If TPE sells donated real estate within 3 years of the donation being made to TPE, TPE will fill out IRS form 8282 and file that along with its IRS form 990 and give a copy of the completed form to the original donor.

If TPE believes no gift had been made or if the property has not been accurately described, TPE may refuse to sign the IRS form 8283. If TPE has significant reservation about the value of the gift, particularly as it may impact the credibility of TPE, it may seek additional substantiation of the value, may disclose its reservation to the donor, recommend the landowner have a second appraisal completed, refuse to sign the IRS form 8283, or attach a statement regarding the concerns TPE has relative to the form and give that to the landowner in lieu of signing the form. TPE will need to consult with its legal counsel to address factors such as: the danger of appearing to be a party in a transaction that unfairly benefits a private individual; the potential loss of credibility from a successful IRS challenge; and the likelihood of being faced with an angry donor. TPE may consider protecting its reputation by having a letter written by TPE legal counsel expressing its concerns and reminding the donor of IRS overvaluation penalties. TPE will make these decisions on a case by case basis.

EXHIBIT A

Date

Name

Address

Address

Dear Name,

It was a pleasure to work with you last year to protect your significant piece of property (*The preparer can add language pertinent to the project here*). Now that the project is completed, I wanted to provide you with a copy of the IRS form 8283, which is required in order for you to claim the tax deduction for your Federal income taxes. The form is a two page form, and has to be filled out by you as the landowner, the appraiser, and also TPE. Instructions for completing the form are provided. If you have someone who prepares your taxes for you then you might simply forward this to them. Outlined below is the process by which TPE requires the form to be filled out, according to our Tax Benefit Policy. We ask that you follow this procedure:

First you as the landowner need to fill out Section B, Part 1 “Information on Donated Property” Once this is completed you will need to forward the form to your appraiser. Next the appraiser must fill out Part 3 “Declaration of Appraiser.” When both of these sections are filled out, the form, along with a copy of the appraisal can be forwarded to TPE for its signature. TPE will review the appraisal to make sure it conforms with TPE policies. TPE will only sign the form if both Section B Part 1 & 3 are completed, signed, and TPE has reviewed a copy of the appraisal. Once signed by all required parties, TPE will make a copy of it according to TPE Records Policy and send the original to you.

If you or your tax preparer have any questions regarding how to fill out the IRS form 8283, please call or email me at TPE office and I will try to assist you. Please be sure to include a copy of the gift letter from TPE stating the value of the donation. The IRS requires the gift letter along with the IRS form 8283 for your tax deduction.

Once again thank you for conserving your property.

Sincerely,

Name

TPE Staff