

## Appraisal Writing Guidelines

The appraisal report which you present to your client is the concrete evidence of your academic expertise, your professionalism in the field, your knowledge of the current standards and regulations, and your ability to create a substantive and credible document. The appraisal report is essentially your only work product and remains available for inspection for an unrestricted period of time.

The appraisal report may be utilized in a wide variety of contexts, depending on its purpose: an insurance schedule; the settlement of a damage/loss claim; a determination of tax liability for the IRS in an estate situation; a determination of tax relief for the IRS in a non-cash charitable contribution; the basis for an equitable distribution; the basis for disposition decisions; the basis for a collateral loan decision to illustrate just a few of the possibilities.

The appraisal report is, in addition to a professionally correct document, the primary factor on which your reputation in the field is determined, your best advertisement, a basis for referrals, and a protection from ethical and/or legal complaints. It should be a product in which you can take pride.

The appraisal report should allow the reader to follow the appraiser in the valuation process, in a reasonable and logical manner. The document should present, in articulate and precise language:

- (1) the purpose, terms, approach, and marketplace context in which the value is determined;
- (2) the extent of examination, by whom, and any special circumstances regarding examination (if any);
- (3) a full description of the object, appropriate to its value, importance and the purpose, applying the evaluative experience of the appraiser; (4) the data and sources examined, and the analysis which was applied, and the value conclusion. The narrative must be cogently and intelligently written with no loopholes.

According to USPAP, the appraisal document is acceptable when it meets or exceeds

- (1) the expectations of parties who are regularly intended users for similar assignments; and
- (2) what an appraiser's peers' actions would be in performing the same or a similar assignment.

Each valuation process is unique. The appraiser should be satisfied that the report anticipates and answers any questions that may be raised.

386 Park Avenue South  
Suite 2000  
New York, NY 10016  
212.889.5404 tel  
212.889.5503 fax  
www.appraisersassoc.org  
aaa@appraisersassoc.org

## I. Elements Required for a Correctly Prepared Appraisal

### 1. Name and Address of Client

(On a rare occasion, a client may prefer to remain anonymous. This is permitted when the appraiser has documented the name and address in the client's work file)

### 2. Name, Contact Information and Qualifications of the Appraiser

Statement of professional qualifications - curriculum vitae

### 3. Signed Certification

- Statement that the facts contained in the report are true and correct
- Statement that the reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are the appraiser's personal, impartial, and unbiased professional analyses, opinions, and conclusions
- Statement of disinterest (or stated interest) on the part of the appraiser (no financial or personal interest regarding the property or the parties involved)
- Statement of no bias on the part of the appraiser (regarding the property or the parties involved)
- Statement of fee structure (basis for charge; that it is not contingent upon the value of the objects appraised)
- Clear division of appraisal when one, or more than one, appraiser is involved, who did what (including inspection) and inclusion of all CV's
- Statement of personal physical on-site inspection by the appraiser (or disclosure of other methods/circumstances)
- Disclosure of all parties providing significant assistance with the report or statement indicating that the appraiser is solely responsible for all information in report
- Statement that appraisal is prepared in accordance with USPAP including date of USPAP followed
- All relevant signatures

### 4. Scope of Work (must be clearly and conspicuously noted)

Determine, perform, and disclose the Scope of Work in the report and identify:

- The problem to solve
- General category of items to appraise (i.e., Fine art, household contents, Modern prints, etc.)
- The client
- The owner
- Intended use of the appraisal (See Purpose of the Appraisal, below)
- Intended user(s)
- Type of value (See Type of Valuation Used and Defined, below)
- Definition of value
- Source for definition of value
- Approach to value (See Approach to Value, Used and Defined, below)
- Marketplace (See below)
- Effective date of valuation (See below)
- Assignment conditions (i.e., adequate time to research; adequate lighting; provenance supplied by client; etc.)
- The extent to which the property is identified (Title search (Art Loss))
- The extent to which the property is inspected  
Specify the examination procedure followed (i.e., examined under incandescent light and daylight; used a 10X magnification loupe, etc.)  
Specify any normal examination procedure that has been excluded (i.e., did not remove from wall, did not examine under a black light, did not examine clock works, etc.)
- The type and extent of data researched
- The type and extent of analysis applied at the arrived valuations
- USPAP compliancy  
Type of report (See below)  
Updates

**5. Purpose of the Appraisal** (must be clearly and conspicuously noted)

- Insurance
- Donation
- Estate with a surviving spouse
- Estate with no surviving spouse
- Tax loss
- Equitable distribution
- Estate planning
- Inventory
- Damage
- Loss
- Collateral
- Liquidation
- Net worth
- Other

**6. Type of Reports** (must be clearly and conspicuously noted)

- Self-contained
- Summary
- Restricted use

**7. Approach to Value Used and Defined** (each method must be mentioned and discussed as to its applicability in this particular appraisal situation)

- Market Data Comparison Approach
- Cost Approach
- Income Approach

**8. Type of Valuation Used and Defined**

- Retail Replacement Cost
- Retail value
- Fair Market Value
- Market Value
- Marketable Cash Value
- Liquidation value
- Salvage value
- Replacement Cost New

**9. Marketplace in Which Valuation is Applied** (location and type)

- Auction (high end, mid range, etc.)
- Retail
- Wholesale
- Thrift shops; consignment stores
- Geographic location

**10. Relevant Dates** (note whether current, prospective, or retrospective)

- Date of on-site inspection
- Effective/valuation date of the appraisal (assigned or specific)
- Date appraisal report issued
- Other dates as applicable:
  - date of death
  - date of donation
  - date of separation
  - dates of research
  - revised date

#### **11. Description of Appraised Objects**

- Item
- Quantity (if pair, set, etc.)
- Country/region of origin
- Medium
- Date(s)/period of creation
- Markings (e.g. signatures, maker's marks, manufacturer's marks, inscriptions)
- Full detailed description (including all observable physical characteristics)
- Dimensions (measurements appropriate to the object i.e., an appraiser would weigh a piece of silver, but not a painting)
- Condition (a representation as to condition must always be included and qualified, whether per object or per group, not as a general statement for the entire report)
- Frame description and condition
- Statement of value as appropriate to the purpose of the appraisal (can be a firm statement, or a range of values, or a statement as to greater than or less than)

#### **12. Disclaimers, Extraordinary Assumptions, Assumptions, Limitations**

- Statement in belief of authenticity (only that the objects appraised correspond to the descriptions provided in the appraisal); but that the appraisal is NOT a certificate of authenticity
- Statement of the number of pages in the appraisal

#### **13. For Appraisals Relating to IRS Usage** (Estate (E) or Donation (D))

- Statement that appraiser has not been disqualified by the IRS (E and D)
- Statement that the appraiser acknowledges that the appraisal will be used in connection with a tax return or claim for a tax refund and that a substantial or gross valuation misstatement resulting from the appraisal may subject the appraiser to a civil penalty (D)
- Appraiser's Tax ID# (E and D)
- Statement of the appraiser's qualifications specific to the item(s) appraised (D)
- Statement of how the objects were acquired and prices paid (if known) (D)
- Completion of IRS form 8283 (D - separate from report)

#### **14. Additional Description** (if applicable)

- Name of artist/craftsperson
- Name of historical style/school of work
- Title of work
- Provenance
- Catalogue raisonné number or other reference
- Frame information
- Exhibition history
- Publication history
- Other notes (importance of work, one of a pair, etc.)

#### **15. Support for Valuation Conclusions**

- State of the market discussion/market analysis
- Material provided by consultants (identified)

#### **16. Support for Valuation Conclusions** (if applicable)

- Comparables (fully presented and annotated as appropriate)
- Biography of the artist/craftsperson/school
- Related analysis and discussion of the object/artist/school, etc.

### 17. General Format

- Header/footers on each page should include all relevant information
  - Appraiser's name and contact information
  - Client's name
  - Type of report
  - Purpose of the appraisal
  - Valuation system used
  - Effective date of valuation
- Pagination indicated on each page (e.g., '1/50' or 'page 1 of 50')
- Statement of the number of photographs (If possible, the numbers should correspond to the item number; if the photos are under separate cover, state the page number where the photo is located (e.g. Item #4, Photo page 1/50).

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## II. Additional Review Information

The structure of the report should be as "user friendly" as possible, logical and sequential in the presentation of the valuation conclusions and precise in the value statements. The items should be numbered, keyed to the photographs (if included) and organized by both location and/or category, as appropriate. Check that all the Elements of a Correctly Prepared Appraisal have been incorporated within the report and that the appraiser's credentials are included with every report.

According to the 2006 USPAP, the work file for each appraisal must contain the name of the client and the identity, by name or type, of any other intended users; true copies of any written reports, documented on any type of media; summaries of any oral reports or testimonies; and all other data, information and documentation necessary to support the appraiser's opinions and conclusions, and to show compliance with the Standards. The appraiser must retain the entire work file for at least five (5) years after preparation or at least two (2) years after final disposition of any judicial proceeding in which the appraiser provided testimony related to the assignment, whichever period expires last.

As quoted from the 2006 USPAP, the content of an appraisal report (self-contained or summary) must be consistent with the intended use of the appraisal and, at a minimum, include (describe or summarize) information sufficient to identify the property involved in the appraisal including the physical and economic property characteristics relevant to the assignment and describe (or summarize) sufficient information to disclose to the client and any intended users the scope of work used to develop the appraisal. The appraiser has the burden of proof to support the scope of work decision and the level of information included in a report.

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## III. Comparables: Purpose and Structure

**It is NECESSARY to include comparables in the following reports, both of which must follow IRS guidelines:**

1. Appraisals for estate purposes, for any object valued at \$5,000 or more, for one which such documentation would be useful, or for one where the valuation is unusual to the general marketplace. (Note: The higher the value, the more detail is required in a comparable analysis.)
2. Appraisals for non-cash charitable contributions (donation purposes.)

**It may be USEFUL to include comparables in the following situations:**

1. For any appraisal purpose, if, in the appraiser's judgment, the value of the object requires annotation and support. Providing additional data may be determined by provenance, condition, regionalism, academic interest, or even the expectations of the client.
2. For any appraisal purpose, if the value cited is substantially different from what a knowledgeable person would anticipate, and thus requires explanation.
3. When the expectation seems that appraisal will be litigated.

**Comparables based on auction sales must include:**

1. An indication as to whether the buyer's premium has been included; or the price given is the hammer price. N.B. The IRS considers the buyer's premium to be an integral part of the fair market value (1992 TAM Ruling).
2. All relevant information (as appropriate) including date of sale, auction house and location, sale number, sale name if a single owner or important collection, lot number, description of item [title, medium, size, signature, etc.], condition if noted, estimates, and sale result [price realized, bought in, withdrawn, or sold subsequent to the auction by private treaty.]

**Comparables based on private sales must include:**

1. The name and location of the dealer, gallery, show; some annotation as to the dealer's role in the marketplace; and, if possible, the buyer [private collector, museum, etc.; however it would be highly improper for a dealer to disclose the name of a private buyer (Gramm, Leach, Bliley Act of 1999).]
2. The dollar amount of a sale actually realized.
3. If the only values obtainable are those at which similar/same pieces were offered, they may be indicated, if so described. It must then be mentioned that the marketplace was, apparently, resistant at those prices.

All comparables cited should be as recent as possible, and as close to the subject piece in time, form, style, medium, quality, condition as possible. All appropriate sales should be cited and then annotated to explain differences, and the reasoning to support the appraiser's valuation conclusions. The process by which the appraiser gathered data, what data was available and considered for the appraiser's analysis, and what factors were relevant to the evaluation should all be readily apparent to the reader.

## IV. Review of the Basic Appraisal Report Format

The appraisal report should be a formal, organized document. The appraiser must remember that, although each assignment is unique, there are essential components that must always be included, as per the "Elements of a Correctly Prepared Appraisal." In addition, there are other structural and informative sections that should/must be included for specific types of appraisals.

Elements that must  
be in every report  
(not necessarily  
in this order)

- Cover Page
- Table of Contents
- Valuation Summary
- Certification Page
- Scope of Work
- Market Analysis
- Disclaimers & Limiting Conditions Page
- Inventory/Narrative Section
- Sources of Data
- Appraiser's Credentials
- Comparables
- Artist/Craftsperson biography
- Discussions of a specific object/artist, etc.
- Selected Bibliography
- Glossary
- Index of Artists
- Consultants' Credentials
- Photographs/Photocopies

The technical and aesthetic presentation of the report should be attractive and professionally presented in a form that will withstand mailing and handling.

Neither USPAP, the IRS, or the AAA dictate form, format, or style of appraisal report writing, although each have specific elements and requirements to include in a properly prepared appraisal report. Develop your own templates and narrative style. Refrain from using forms or mass-produced boilerplates. The appraiser's authority is evidenced by the language, cogent organization, and sequential development of the report.