



USPAP Q&A

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The Appraisal Standards Board (ASB) of The Appraisal Foundation develops, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP) on behalf of appraisers and users of appraisal services. The USPAP Q&A is a form of guidance issued by the ASB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of USPAP in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems. The USPAP Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. USPAP Q&A does not establish new standards or interpret existing standards. USPAP Q&A is not part of USPAP and is approved by the ASB without public exposure and comment.

Copyrighting an Appraisal Report

Question:

Does registration of a copyright on an appraisal report with the U.S. Copyright Office violate the confidentiality provisions of USPAP?

Response:

The ASB is taking no position as to whether an appraisal report is copyrightable, nor does this response constitute a legal opinion of the ASB.

If, however, an appraisal were copyrightable, and if the process of registration with the U.S. Copyright Office includes public disclosure of the appraisal report, such registration would disclose assignment results and would therefore result in a breach of the Confidentiality section of the ETHICS RULE of USPAP, unless the appraiser/registrant had the prior approval of the client for such registration.

“Allocation” of Value Opinions

Question:

I often perform real property appraisal assignments that include not only real property but also personal property and/or intangible items (examples include property types such as hotels and restaurants).

Often times, my clients will request that I separate or “allocate” a portion of the defined value opinion to these non-real property components. These requests raise the following questions:

- 1) What exactly is the appraiser’s USPAP obligation in performing this separation of value?
- 2) May this “allocation” be accomplished without the appraiser developing an opinion of value in compliance with STANDARD 7 or 9?
- 3) Is an allocation considered to be synonymous with an opinion of value or is it the result of a mathematical calculation?
- 4) There are also occasions when the client does not specifically request separate valuations of non-real property assets, even though they may be present. Is the appraiser still required to value those assets separately?

Response:

Standards Rule 1-2(e) requires an appraiser to:

Identify the characteristics of the property that are relevant to the type and definition of value and intended use of the appraisal, including:

...(iii) any personal property, trade fixtures, or intangible items that are not real property but are included in the appraisal;...

Standards Rule 1-4(g) states:

When personal property, trade fixtures, or intangible items are included in the appraisal, the appraiser must analyze the effect on value of such non-real property items.

And the Comment to SR 1-4(g) further states:

When the scope of work includes an appraisal of personal property, trade fixtures or intangible items, competency in personal property appraisal (see STANDARD 7) or business appraisal (see STANDARD 9) is required.

Given this background, each of the questions can be answered as follows:

- 1) What exactly is the appraiser’s USPAP obligation in performing this separation of value?
Whether this is labeled a “separation” or an “allocation,” it is an appraisal as defined in USPAP.
- 2) May this “allocation” be accomplished without the appraiser developing an opinion of value in compliance with STANDARD 7 or 9?

No. Once it is understood that “performing this separation of value” is synonymous with “performing this appraisal,” compliance with the applicable Standards Rules is required, as is appropriate competency.

- 3) Is an allocation considered to be synonymous with an opinion of value or is it the result of a mathematical calculation?

As stated in the response to Question #1, an “allocation” is synonymous with an “appraisal.”

- 4) There are also occasions when the client does not specifically request separate valuations of non-real property assets, even though they may be present. Is the appraiser still required to value those assets separately?

No. This is a scope of work decision to be made by the appraiser; Standards Rule 1-4(g) does not require separate appraisals of these different types of assets. SR 1-4 (g) states:

When personal property, trade fixtures, or intangible items are included in the appraisal, the appraiser must analyze the effect on value of such non-real property items.

Comment: When the scope of work includes an appraisal of personal property, trade fixtures or intangible items, competency in personal property appraisal (see STANDARD 7) or business appraisal (see STANDARD 9) is required.

Some appraisers and users of appraisals believe the requirement that “the appraiser must analyze the effect on value of such non-real property items” is a requirement for the separate appraisal of those items in all assignments. That is incorrect. “Analyzing the effect on value” might be appropriately made through the selection of comparable properties used in the sales comparison approach or the deduction of certain line items of expense for management fees, maintenance or replacements in the income approach, for example.

The USPAP Q&A is posted each month on The Appraisal Foundation website (www.appraisalfoundation.org). The ASB compiles the monthly USPAP Q&A into the USPAP Frequently Asked Questions (USPAP FAQ) for publication with each edition of USPAP. In addition to incorporating the most recent questions and responses issued by the ASB, the USPAP FAQ is reviewed and updated to ensure that it represents the most recent guidance from the ASB. The USPAP Frequently Asked Questions can be purchased (along with USPAP and USPAP Advisory Opinions) by visiting the “Foundation Store” page on The Appraisal Foundation website (<https://commerce.appraisalfoundation.org>).

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