

**SEC. 6695A. SUBSTANTIAL AND GROSS VALUATION MISSTATEMENTS ATTRIBUTABLE TO INCORRECT APPRAISALS.**

(a) Imposition of Penalty- If--

(1) a person prepares an appraisal of the value of property and such person knows, or reasonably should have known, that the appraisal would be used in connection with a return or a claim for refund, and

(2) the claimed value of the property on a return or claim for refund which is based on such appraisal results in a substantial valuation misstatement under chapter 1 (within the meaning of section 6662(e)), or a gross valuation misstatement (within the meaning of section 6662(h)), with respect to such property, then such person shall pay a penalty in the amount determined under subsection (b).

(b) Amount of Penalty- The amount of the penalty imposed under subsection (a) on any person with respect to an appraisal shall be equal to the lesser of--

(1) the greater of--

(A) 10 percent of the amount of the underpayment (as defined in section 6664(a)) attributable to the misstatement described in subsection (a)(2), or

(B) \$1,000, or

(2) 125 percent of the gross income received by the person described in subsection (a)(1) from the preparation of the appraisal.

(c) Exception- No penalty shall be imposed under subsection (a) if the person establishes to the satisfaction of the Secretary that the value established in the appraisal was more likely than not the proper value.!

(2) RULES APPLICABLE TO PENALTY- Section 6696 (relating to rules applicable with respect to sections 6694 and 6695) is amended--

(A) by striking `6694 and 6695' each place it appears in the text and heading thereof and inserting `6694, 6695, and 6695A', and

(B) by striking `6694 or 6695' each place it appears in the text and inserting `6694, 6695, or 6695A'.

(3) CONFORMING AMENDMENT- The table of sections for part I of subchapter B of chapter 68 is amended by striking the item relating to section 6696 and inserting the following new items:

`Sec. 6695A. Substantial and gross valuation misstatements attributable to incorrect appraisals.

`Sec. 6696. Rules applicable with respect to sections 6694, 6695, and 6695A.'.

(c) Qualified Appraisers and Appraisals-

(1) IN GENERAL- Subparagraph (E) of section 170(f)(11) is amended to read as follows:

(E) QUALIFIED APPRAISAL AND APPRAISER- For purposes of this paragraph--

(i) QUALIFIED APPRAISAL- The term `qualified appraisal' means, with respect to any property, an appraisal of such property which--

(I) is treated for purposes of this paragraph as a qualified appraisal under regulations or other guidance prescribed by the Secretary, and

(II) is conducted by a qualified appraiser in accordance with generally accepted appraisal standards and any regulations or other guidance prescribed under subclause (I).

(ii) QUALIFIED APPRAISER- Except as provided in clause

(iii), the term 'qualified appraiser' means an individual who--

(I) has earned an appraisal designation from a recognized professional appraiser organization or has otherwise met minimum education and experience requirements set forth in regulations prescribed by the Secretary,

(II) regularly performs appraisals for which the individual receives compensation, and

(III) meets such other requirements as may be prescribed by the Secretary in regulations or other guidance.

(iii) SPECIFIC APPRAISALS- An individual shall not be treated as a qualified appraiser with respect to any specific appraisal unless--

(I) the individual demonstrates verifiable education and experience in valuing the type of property subject to the appraisal, and

(II) the individual has not been prohibited from practicing before the Internal Revenue Service by the Secretary under section 330(c) of title 31, United States Code, at any time during the 3-year period ending on the date of the appraisal.'

Source: <http://thomas.loc.gov/cgi-bin/query/F?c109:1:/temp/~c10924sTP9:e967806>:

*Note: This excerpt is from the House bill (H.R. 4), a version of which was also passed by the Senate; copies of the final Act (Public Law No. 109-280) have not yet been posted.*