Appraisal of Mineral Property
Conservation Easement Donations

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SME-AIMA Annual Meetings, Salt Lake City, 23-26 February 2014
Frenzy of conservation easement donations in Colorado by 2005

For income tax deductions and lucrative state tax credits
Result

Crackdown by:

- IRS
- Department of Revenue
- Colorado Appraiser Board
How it works

- Non-cash charitable donation
- Preservation purpose required
- Donate interest in the real estate to an approved conservation trust
- Donate irrevocable perpetual easement
How it works

• Mineral related conservation easements typically prohibit all real estate and mining development.

• Typical Conservation Purposes:
  – preserve natural setting
  – Wildlife migration path preservation
Concepts

• Before and After Donation Appraisals
  – Subtract the After Donation Value from the Before Value

• Highest and Best Use generally changes with the donation

• A Certified General Appraiser with appropriate conservation easement education signs
Considerations Required by Treasury Regulations

• Contiguous Family-owned parcels
  – 2 generations above and below
  – Business control included

• Potentially enhanced parcels, whether or not contiguous

• Quid pro quo or incidental benefits
Example Cases

1. River Gravel
2. Dimension Stone
3. Industrial Mineral
4. Regulators