When it comes to acceptable techniques and methods for valuing landscape tree loss for federal income tax deductions, there are hardly any definitive languages available from the tax law or the rules and criteria by the IRS. Analysis and appraisal of landscape and real estate is complex and requires professional training and experience. The best course of action or defense a taxpayer can use is to work with a professional (real estate appraisers and professional arborists) and diligently document the value determination in a detailed and accurate manner.

The income tax law for a casualty loss deduction requires that the amount of deduction is limited to the smaller of (1) the decrease in fair market value (FMV) before and after the storm or (2) the adjusted basis of your property. Salvage sale further reduces the deductions allowed. If your landscape trees have zero basis, there is no need to hire professional appraisal since there will not be casualty loss deduction in that case. Also, when salvage sale income exceeds the adjusted basis, there will be no need to hire professional appraisers since you have a taxable casualty gain, instead of a loss.

**The IRS Guidelines for Valuation Method**

In the IRS casualty loss rules specified in Publication 547, the following guidance is provided for determining the decrease in fair market value for landscaping:

“**The cost of restoring landscaping to its original condition after a casualty may indicate the decrease in FMV. You may be able to measure your loss by what you spend on the following.**

- Removing destroyed or damaged trees and shrubs, minus any salvage you receive.
- Pruning and other measures taken to preserve damaged trees and shrubs.

This language seems to indicate the cost of restoration more or less is acceptable.

**Valuation Methods by Professional Arborist**

One of the most authoritative rulebooks used by the professional arborists is the *Guide for Plant Appraisal, 9th Edition*. According to this guide, “variations of **Cost Approach** (Replacement Cost, Cost of Repair, Cost of Cure) and the **Market Approach** more closely follow the IRS criteria and standards” (Page 104).

The problem with the cost of restoration/replacement/repair is that this approach can be practically impossible for many cases. For example, the cost of replacing a 60-year-old hardwood tree is tough to estimate if not impossible. Due to practical reasons, a competent professional appraisal is frequently used in establishing the value of landscape trees for the tax purpose.

“The IRS does not accept the Trunk Formula Method, or any formula, as an acceptable appraisal of loss!”

**The Market Approach** (comparable sales) used by professional arborists also more closely follow the IRS criteria. However, the comparable sales are extremely tough when nearby property were also damaged by the hurricane. The Guide cautions that “the Market Approach should be coordinated with qualified, licensed real-estate appraisers.”

**A real-estate appraiser as well as professional arborists may be necessary.**

Trees and shrubs on a residential property that are destroyed must be appraised together with the real estate. Business property must separately value the trees and the building.

To find out the professional arborists, go to: [www.ascuncan.com](http://www.ascuncan.com).

“The IRS does not accept the Trunk Formula Method, or any formula, as an acceptable appraisal of loss!”

*Source: Guide for Plant Appraisal, 9th Edition*