

**Economic Impact Statement**

LSA Document #11-718

**IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses**

The Indiana Real Estate Commission (Commission) has determined that this proposed rule will impose minimal requirements or costs on small businesses.

**Estimated Number of Small Businesses Subject to this Rule:**

The number of small businesses affected by this proposed rule will be less than the total number of appraisers; however, the Board is unable to determine the actual number of small businesses that will be affected. There are 2,329 appraisers holding active licenses in the state of Indiana. There are approximately 14,274 real estate brokers, 138 real estate branch offices, 2,520 real estate broker companies, and 114 real estate professional corporations licensed in Indiana. Indiana does not collect data on the number of brokers who perform appraisals.

**Estimated Average Annual Administrative Costs That Small Businesses Will Incur:**

To determine costs, the Commission reviewed the basic cost of purchasing the 2012-2013 edition of USPAP. In order to comply with this proposed rule, an appraiser may have to replace the 2010-2011 USPAP edition with the 2012-2013 USPAP edition.

Assuming all appraisers purchase the electronic version of USPAP (\$60), it will cost all licensed or certified appraisers in Indiana approximately \$139,740 (2,329 appraisers x \$60) and cost real estate brokers \$856,440 (14,274 real estate brokers x \$60); however, not all brokers perform appraisals and no data is collected on the number performing appraisals.

**Estimated Total Annual Economic Impact on Small Businesses:**

To determine the total estimated impact, the Commission reviewed the basic cost of purchasing the 2012-2013 edition of USPAP. The Commission also reviewed any cost of implementation to the state.

The electronic version of USPAP is \$60. Although highly unlikely, it could have an estimated potential impact of \$996,180 (2,329 appraisers and 14,274 real estate brokers x \$60) assuming that all licensed or certified appraisers and real estate brokers in Indiana purchase the updated version.

**Supporting Data, Studies, and Analyses:**

For the preparation of this cost benefit analysis and other financial impact statements, the Commission relied on discussions with Commission staff, advisory counsel, and information provided by Appraisal Subcommittee regarding the cost of the 2012-2013 edition of USPAP.

**Regulatory Flexibility Analysis of Alternative Methods:**

The state is required by federal mandate to pass this rule. In addition, the federal government requires appraisers to use and comply with the Uniform Standards of Professional Appraisal Practice.

**Explanation of Preliminary Determination:**

The primary and direct benefits of the rule are two fold. First it ensures that appraisers in Indiana are practicing in accordance to federal appraisal standards, and, secondly, it ensures the Commission's compliance with federal regulatory requirements to pass this rule and implement the 2012-2013 edition of USPAP.

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