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Business Valuation for Tax Filings: A Glossary of Terms for Gift, Estate, Donation and Roth IRA Conversion Valuations of Private Company Interests (2026)

AppraiseItNow Inc.

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Educational material, not an appraisal.

How to use this glossary of business valuation terms for tax filings

This glossary is current as of 2026. It covers the vocabulary that business owners, CPAs and IRA owners meet when an interest in a private company has to be valued for one of four federal filings. These filings are a gift reported on Form 709, an estate reported on Form 706, a charitable donation reported on Form 8283, and a Roth IRA conversion reported by the IRA custodian on Form 1099-R.

Each entry defines one term. Where a rule applies to the term, the entry states the rule and cites its source in parentheses. Words in an entry that have their own entry are named in a "See also" line. The section "Forms, rules and standards referred to in this glossary" lists every source cited.

The glossary explains terms. It does not decide whether a deduction is allowed, how much is deductible, which items are similar items, or whether a transfer qualifies for any exclusion. The reader's tax adviser makes those determinations.

Which date the value applies to in each of the four filings

Filing	Date the value applies to	Entry to read
Gift, Form 709	The date of the gift	Gift
Estate, Form 706	The date of death, or the alternate valuation date if the executor makes that election	Date of death; Alternate valuation date
Donation, Form 8283 Section B	If the appraisal is dated before the donation, a date within the 60 days before the donation; if dated on or after the donation, the donation date	Donation date
Roth IRA conversion	The conversion date	Roth IRA conversion

Self-check questions on valuation dates and reporting

1. An appraisal of a donated LLC interest is signed after the donation. Which valuation date applies? The donation date (see Donation date).
2. Who reports the value of a converted private company interest, and on which form? The custodian, on Form 1099-R (see Roth IRA conversion).
3. What starts the IRS's three years to challenge the value of a gifted business interest? A return that adequately discloses the gift (see Adequate disclosure).

4. Which single fact in a business valuation request is most often wrong? The ownership percentage (see Ownership percentage).

Terms A to Z: business valuation for gift, estate, donation and Roth conversion filings

Terms A to C: adequate disclosure to custodian

Adequate disclosure. The level of detail on a gift tax return that starts the period in which the IRS can question the reported value. The IRS's three years to challenge a gift's value only start if the return adequately discloses the gift. For hard-to-value property such as a business interest, an appraisal that meets the regulation covers the valuation part of that disclosure; the rest of the disclosure is still needed. (Treas. Reg. § 301.6501(c)-1(f)) That appraisal gives the transfer date, the date of appraisal and its purpose; describes the property and the process; states its assumptions and limiting conditions; lists the information considered (for a business interest, all the financial data, in enough detail to replicate the value); and explains the method, why it was chosen, and the basis for the value. (Treas. Reg. § 301.6501(c)-1(f)) The appraiser can't be the donor, a donee, a member of either's family, or someone they employ, and must hold themselves out as an appraiser or perform appraisals regularly. (Treas. Reg. § 301.6501(c)-1(f)) See also Form 709; Hard-to-value property; Valuation method.

After-tax basis. The part of an IRA's value that has already been taxed. It is subtracted when the taxable amount of a Roth conversion is figured. The IRA owner's records and tax adviser establish the figure; the appraiser values the assets, not the basis. See also Roth IRA conversion.

Alternate valuation date. An estate's optional valuation date in place of the date of death. The executor may instead elect the date six months after death, only if that lowers both the gross estate and the estate and generation-skipping transfer tax. The election covers every asset, and anything sold or distributed in those six months is valued on the day it was sold or distributed. (Treas. Reg. § 20.2032-1) An estate holding a business interest may therefore need values at two dates. See also Date of death; Executor; Gross estate.

Annual exclusion. The amount of gifts to each recipient that is left out of reportable gifts for a year. For 2026, the first $19,000 of gifts to each person (not counting gifts of future interests) is excluded. 2026 gifts are reported on a return due April 15, 2027; an extension covers filing, not payment. (Instructions for Form 709 (2025)) Whether a gift of a business interest fits within the exclusion is for the tax adviser to decide. See also Future interest; Gift.

Appraisal designation. A credential for a type of property, awarded by a recognized appraisal organization. It is one of the routes to qualified appraiser status for a donation appraisal. See also Qualified appraiser.

Asset approach. A valuation method that builds company value from the value of its assets less its liabilities. Appraisers use it most often for holding companies, real estate holding entities and businesses whose earnings do not reflect their asset base. See also Income approach; Market approach; Valuation method.

Assumptions and limiting conditions. The statements in an appraisal report that set out what the appraiser took as given and what limits apply to the conclusion. A gift appraisal used for adequate disclosure must state them. See also Adequate disclosure; Extraordinary assumption.

Buy-sell agreement. A contract among owners that sets out when and on what terms an interest can or must be sold. It affects what a buyer of the interest would receive, so the appraiser reads it alongside the company agreement. See also Company agreement.

Closely held. Describes a company owned by a small group of owners whose shares or units do not trade on an exchange. Privately held stock, LLC interests and partnership interests follow the same rule as other property: a deduction over $5,000 needs a qualified appraisal and Section B. The old $10,000 rule for nonpublicly traded stock ended for gifts after July 30, 2018. (Instructions for Form 8283 (Rev. December 2025)) See also LLC interest; Partnership interest; Qualified appraisal.

Company agreement. The governing document of an LLC or partnership. It is also called an operating agreement or partnership agreement. It sets voting rights, distribution rights, transfer limits and the unit schedule. It is one of the core documents for a business valuation and the usual source for confirming the ownership percentage. See also Ownership percentage; Units.

Control interest. An ownership block large enough to direct the company's decisions, such as setting distributions, hiring management or selling assets. The governing documents determine what counts as control in a given company. See also Discount for lack of control; Minority interest.

Conversion date. The date on which an asset moves from a traditional IRA to a Roth IRA. It is the date the value applies to in a Roth conversion appraisal. For a Roth IRA conversion, AppraiseItNow needs the custodian's FBO name and account, the custodian's form, the conversion date and the units converting. See also Effective date; Roth IRA conversion.

Custodian. The financial institution that holds an IRA's assets and keeps its records. For assets without a readily available market value, the custodian must still report a value, and each custodian sets what it needs to support that value (its own form, often an independent valuation). (Instructions for Forms 1099-R and 5498 (2026)) Separately, the custodian reports the account's December 31 value each year on Form 5498 (boxes 15a and 15b for hard-to-value assets). (Instructions for Forms 1099-R and 5498 (2026)) See also FBO; Form 1099-R; Form 5498.

Terms D to F: date of death to future interest

Date of death. The valuation date for an estate unless the alternate date is elected. Estate assets are valued at fair market value on the date of death. (Treas. Reg. § 20.2031-1) Financial statements closest to that date anchor a business valuation for an estate. See also Alternate valuation date; Form 706.

Discount for lack of control. A reduction an appraiser may apply when the interest valued cannot direct the company's decisions. The size of any such discount depends on the rights in the governing documents and on the evidence the appraiser relies on. The report explains it. See also Control interest; Minority interest.

Discount for lack of marketability. A reduction an appraiser may apply because a private company interest cannot be sold quickly and cheaply, the way a listed share can. Transfer restrictions in the company agreement and any buy-sell agreement inform the analysis. See also Buy-sell agreement; Company agreement.

Donation date. The date an interest passes to a charity. It governs the timing of a donation appraisal. If the appraisal is dated before the donation, its valuation date must fall within the 60 days before the donation. If it is dated on or after the donation, the valuation date is the donation date. (Treas. Reg. § 1.170A-17) Hypothetical: an owner plans to give a partnership interest to a charity and has the appraisal signed and dated 30 days before the transfer. The valuation date in that report must fall within the 60 days before the donation. See also Signature date.

Donee. The person who receives a gift. A donee cannot prepare the gift appraisal used for adequate disclosure. See also Adequate disclosure; Donor.

Donor. The person who makes a gift or a charitable contribution. The donor cannot be the appraiser for either a gift appraisal or a donation appraisal. See also Qualified appraiser.

Effective date. The date to which an appraised value applies. An appraisal's effective date is the date the value applies to. It can be current, past (a date of death or donation) or future, and the report states both the effective date and the report date. (USPAP, 2024 edition) AppraiseItNow sets the effective date by purpose: for insurance coverage and personal use, the report date; for estate and probate, the date of death; for a donation, the contribution date, or the report date for a future gift signed no more than 60 days before it; for a gift, the date of the gift; for an insurance claim, the date of loss; for a divorce, the date counsel sets; for an IRA conversion, the conversion date. See also Report date; Valuation date.

Executor. The person administering a deceased person's estate. The executor decides whether to elect the alternate valuation date. See also Alternate valuation date.

Extraordinary assumption. A stated assumption about an uncertain fact that, if false, could change the conclusion. An appraiser may assume an uncertain fact is true (an extraordinary assumption) only when it's needed for credible results, there's a reasonable basis for it and the analysis stays credible, and the report must say so clearly. (USPAP, 2024 edition) Hypothetical:

year-end statements for the valuation year are not final, so the appraiser assumes the draft figures will not change materially, explains why, and flags the assumption. See also Assumptions and limiting conditions.

Fair market value. The value standard stated in the estate, gift and Roth conversion rules in this glossary. Estate assets are valued at fair market value on the date of death. (Treas. Reg. § 20.2031-1) A gift is valued at its fair market value on the date of the gift. (Treas. Reg. § 25.2512-1) A Roth conversion is taxed on the fair market value of the converted assets on the conversion date, less any after-tax basis. The custodian reports it on Form 1099-R. (Instructions for Forms 1099-R and 5498 (2026)) See also Date of death; Discount for lack of control; Discount for lack of marketability; Gift; Roth IRA conversion.

FBO. "For the benefit of," the titling used on IRA accounts. An example is "Custodian name FBO account holder name." For a Roth IRA conversion, AppraiseItNow needs the custodian's FBO name and account, the custodian's form, the conversion date and the units converting. Each custodian sets what it needs to support a reported value. See also Custodian; Units.

Financial statements. Balance sheets, income statements and cash flow statements for the company. A business valuation relies on statements or tax returns up to the valuation date. A gift appraisal used for adequate disclosure lists all the financial data considered. See also Normalization adjustments; Tax returns.

Form 1099-R. The information return on which the IRA custodian reports a Roth conversion. See also Custodian; Roth IRA conversion.

Form 5498. The information return on which the custodian reports the IRA's year-end value. Boxes 15a and 15b are used for hard-to-value assets. See also Custodian.

Form 706. The United States Estate (and Generation-Skipping Transfer) Tax Return. A business interest in an estate is reported at its value on the date of death or the alternate valuation date. See also Alternate valuation date; Date of death.

Form 709. The United States Gift (and Generation-Skipping Transfer) Tax Return. The return's disclosure of a gifted business interest, including the appraisal, determines whether the three-year period starts. See also Adequate disclosure; Annual exclusion.

Form 8283 Section B. The part of the noncash charitable contributions form used for larger property donations. A deduction of more than $5,000 for one item, or for a group of similar items, generally needs a qualified appraisal and Form 8283 Section B. Similar items count together even when they went to different charities. (Treas. Reg. § 1.170A-16) See also Qualified appraisal; Similar items.

Future interest. In plain terms, a right to property that the recipient cannot use or enjoy until a later time. Gifts of future interests are not counted toward the annual exclusion. The tax adviser decides whether a transfer of a business interest is one. See also Annual exclusion.

Terms G to O: generation-skipping transfer tax to ownership percentage

Generation-skipping transfer tax. A separate federal transfer tax named in the titles of Form 706 and Form 709. It is relevant to valuation here because the alternate valuation election depends on it as well as on the estate tax. See also Alternate valuation date.

Gift. A transfer of property to another person without full payment in return. A gift is valued at its fair market value on the date of the gift. (Treas. Reg. § 25.2512-1) Gifts of LLC units or partnership interests made on several dates each need a value at each date. See also Adequate disclosure; Form 709.

Gross estate. The total of the deceased person's assets counted for estate tax purposes. A closely held business interest is often its least liquid component. See also Alternate valuation date; Date of death.

Hard-to-value property. Property without a quoted market price, such as an interest in a closely held company. The term appears both in the gift disclosure rule and in the custodian's reporting of IRA assets. See also Adequate disclosure; Custodian.

Income approach. A valuation method that converts expected earnings or cash flow into a present value. It may capitalize a single level of earnings or discount a projection. It is used most often for operating companies with steady earnings. See also Asset approach; Market approach.

Interest. The specific ownership position being valued, such as 25 percent of the membership units of an LLC or a limited partner's share of a partnership. The interest, not the whole company, is usually the subject of a tax valuation. See also Ownership percentage; Units.

LLC interest. An ownership position in a limited liability company, expressed as units or a percentage. The interest's rights to vote, receive distributions and transfer are set in the company agreement. See also Closely held; Company agreement.

Market approach. A valuation method that infers value from prices paid for comparable companies or interests, or from prior transactions in the subject company itself. Past offers and earlier sales of units are relevant inputs. See also Asset approach; Income approach.

Minority interest. An ownership position that cannot direct company decisions on its own. See also Control interest; Discount for lack of control.

Normalization adjustments. Changes an appraiser makes to reported financial results to remove one-time, non-operating or owner-specific items. Examples are an unusual lawsuit settlement or above-market owner compensation. Their purpose is to show the company's ongoing earning power. See also Financial statements.

Ownership percentage. The share of the company that the interest represents. For a business valuation, AppraiseItNow needs what is valued (the company, the interest or percentage) and the valuation date, financial statements or tax returns up to that date, and the company agreement; past appraisals or offers help. The ownership percentage is the fact most often wrong.

Hypothetical: an IRA holds 400 units of an operating LLC, and the IRA owner describes the holding as "40 percent" because that was the share when the IRA invested. The current unit schedule shows 10,000 units outstanding after later admissions, so the IRA holds 4 percent. A value based on 40 percent would describe a block ten times larger. See also Company agreement; Units.

Terms P to V: partnership interest to valuation method

Partnership interest. An ownership position in a general or limited partnership. A limited partner's interest typically carries few management rights, which the appraiser takes into account. See also Closely held; Minority interest.

Qualified appraisal. The appraisal a donor needs to support a larger noncash charitable deduction and complete Form 8283 Section B. Its timing is set by the signature date and donation date rules. See also Donation date; Form 8283 Section B; Qualified appraiser; Signature date.

Qualified appraiser. The person permitted to prepare a qualified appraisal. A qualified appraiser has an appraisal designation for that type of property from a recognized organization, or relevant coursework and at least 2 years' experience valuing it, and regularly does paid appraisals. The donor, the charity, whoever sold or gave the donor the property, and anyone related to or employed by them can't be the appraiser. (Treas. Reg. § 1.170A-17) See also Appraisal designation.

Report date. The date the appraisal report is written and signed. It often differs from the effective date in tax work, because estates, gifts and conversions usually look back to an earlier date. See also Effective date.

Roth IRA conversion. A move of assets from a traditional IRA to a Roth IRA. A Roth conversion is taxed on the fair market value of the converted assets on the conversion date, less any after-tax basis. The custodian reports it on Form 1099-R. (Instructions for Forms 1099-R and 5498 (2026)) When the converted asset is a private company interest, the custodian's form and the appraisal both identify the units converted. See also After-tax basis; Conversion date; FBO.

Self-directed IRA. An IRA whose custodian permits holdings beyond publicly traded securities, such as LLC units or partnership interests. These holdings are the usual subject of a Roth conversion business valuation. See also Custodian.

Signature date. The date the appraiser signs and dates a donation appraisal. The appraiser must sign and date the appraisal no earlier than 60 days before the donation and no later than the due date, with extensions, of the return that first claims the deduction. The donor must have it by that due date too. (Treas. Reg. § 1.170A-17) See also Donation date.

Similar items. A term used in the Form 8283 Section B rule, under which similar items count together even when they went to different charities. The donor's tax adviser determines which donated interests, if any, are similar items. See also Form 8283 Section B.

Tax returns. The company's filed federal income tax returns. They are an alternative or supplement to financial statements as a source of financial history up to the valuation date. See also Financial statements.

Units. The measure of ownership in an LLC or partnership, recorded in the unit schedule of the company agreement. A conversion appraisal states the number of units converting, and the ownership percentage is the units held divided by the units outstanding. See also Ownership percentage.

USPAP. The Uniform Standards of Professional Appraisal Practice. AppraiseItNow prepares every appraisal in accordance with USPAP, the Uniform Standards of Professional Appraisal Practice. See also Effective date; Extraordinary assumption.

Valuation date. The common name for the effective date in tax work. In these filings it is the date of the gift, the date of death or alternate valuation date, the date set by the donation timing rule, or the conversion date. See also Effective date.

Valuation method. The approach or combination of approaches an appraiser uses to reach a value. A gift appraisal used for adequate disclosure explains the method, why it was chosen, and the basis for the value. See also Asset approach; Income approach; Market approach.

Forms, rules and standards referred to in this glossary

Source	What it covers
26 U.S.C. § 170(f)(11) and (f)(16)	Internal Revenue Code section 170: charitable contributions (qualified appraisal requirements; clothing and household items)
26 U.S.C. §§ 2031 and 2032	Internal Revenue Code sections 2031 (definition of gross estate) and 2032 (alternate valuation)
Instructions for Form 706 (Rev. July 2026)	IRS Instructions for Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return
Instructions for Form 709 (2025)	IRS Instructions for Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return
Instructions for Form 8283 (Rev. December 2025)	IRS Instructions for Form 8283, Noncash Charitable Contributions
Instructions for Forms 1099-R and 5498 (2026)	IRS Instructions for Forms 1099-R and 5498
IRS Publication 526 (2025)	Charitable Contributions
IRS Publication 590-A	Contributions to Individual Retirement Arrangements (IRAs)
Rev. Proc. 2025-32	2026 inflation adjustments, including the gift tax annual exclusion
Treas. Reg. § 1.170A-16	Substantiation and reporting requirements for noncash charitable contributions
Treas. Reg. § 1.170A-17	Qualified appraisal and qualified appraiser
Treas. Reg. § 1.408A-4	Converting amounts to Roth IRAs
Treas. Reg. § 20.2031-1	Definition of gross estate; valuation of property
Treas. Reg. § 20.2032-1	Alternate valuation
Treas. Reg. § 25.2512-1	Valuation of property; in general (gift tax)
Treas. Reg. § 301.6501(c)-1(f)	Adequate disclosure of gifts; requirements for an appraisal
USPAP, 2024 edition (The Appraisal Foundation)	Uniform Standards of Professional Appraisal Practice

About the publisher, AppraiseItNow

This glossary is published by AppraiseItNow Inc. AppraiseItNow is a tech-enabled appraisal company headquartered in New York City that prepares USPAP-compliant appraisals of personal property, fine art, machinery and equipment, vehicles, boats, inventory and closely held businesses for clients in all 50 states, remotely and in person. AppraiseItNow does not appraise real estate. AppraiseItNow is an appraisal company that prepares appraisals itself; it is not appraisal software and does not manage appraisal orders for lenders.

Ownership and credentials of AppraiseItNow's appraisers

AppraiseItNow was founded in October 2021. Joe Kattan became involved as a co-owner in 2022 and acquired full ownership in November 2024. Joe Kattan is the owner and chief executive officer of AppraiseItNow. AppraiseItNow's appraisers specialize by asset class rather than by geography. Between them, AppraiseItNow's appraisers hold ASA, ISA, AAA, CAGA, NACVA, NEBB Institute, ABV and CFA credentials.

How AppraiseItNow handles business valuation requests for tax filings

Clients request an appraisal from AppraiseItNow online and receive a fixed-fee quote before any work begins; AppraiseItNow does not bill hourly. AppraiseItNow collects what the appraiser needs before the appraisal starts, and asks only for what the appraiser needs. Most AppraiseItNow appraisals are completed remotely from photographs and documents; when an inspection is needed, an appraiser visits the asset in person. Common uses of AppraiseItNow's appraisals include charitable donations, gift and estate tax, estate settlement, divorce, insurance and lending.

AppraiseItNow appraisal volume, November 2025 to November 2026

AppraiseItNow delivered more than 1,100 appraisals in the 12 months to November 2026. Of the 1,226 appraisals AppraiseItNow opened between November 8, 2025 and November 8, 2026, 521 were for charitable donations, 175 for insurance (102 claims and 73 coverage), 144 for estates (61 probate, 46 estate tax and 37 estate settlement), 50 for divorce and 15 for Roth IRA conversions. By asset class, the same 1,226 appraisals included 377 vehicles, 323 general personal property, 174 machinery and equipment, 54 boats, 45 business inventory, 40 fine art and 39 business valuations.

AppraiseItNow's website is www.appraiseitnow.com.