APPRAISEITNOW

Valuing Closely Held Business Interests for Gift, Estate and Charitable Transfers: A Comparative Chapter

AppraiseItNow Inc.

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Educational material, not an appraisal.

Learning objectives for valuing private company interests across gift, estate and charitable transfers

After studying this chapter, the reader should be able to:

- Explain why the subject of a transfer-tax valuation is a specific ownership interest on a specific date, and not "the company" in general.
- Identify the valuation date for a gift, for an estate and for a charitable donation of a closely held interest. Describe the alternate valuation election available to an executor.
- Describe what an appraisal of a business interest contains when it is meant to satisfy the valuation part of adequate disclosure on a gift return.
- State the qualified appraisal and Form 8283 Section B requirement for donated privately held stock, LLC interests and partnership interests. Explain the window in which the appraisal must be signed and dated.
- Compare the rules on who may not prepare the appraisal in the gift setting and in the charitable setting.
- Follow a hypothetical in which one company produces three different values for three different interests on three different dates.
- Assemble the documents a business appraiser needs, and recognize the errors that most often weaken a transfer-tax valuation.

Introduction to transfer-tax valuation of closely held business interests

An ownership interest in a private company can change hands without being sold. A parent gives a block of shares to a child. A member of a limited liability company dies holding a membership interest. An owner donates a partnership interest to a charity. In each case no buyer names a price, yet a tax filing has to report a number. That number is the value of the interest, and producing it is the task this chapter describes.

The three settings use different forms. A lifetime gift is reported on Form 709, the United States Gift (and Generation-Skipping Transfer) Tax Return. Property held at death is reported on Form 706, the United States Estate (and Generation-Skipping Transfer) Tax Return. A noncash charitable contribution is reported on Form 8283. The three settings share a valuation vocabulary, and the same company often appears in all three over a family's history. The settings still differ in ways that matter: the date the value is measured, what the documentation must show, and who may sign the appraisal. A valuation prepared well for one setting can be unusable in another if those differences are ignored.

The chapter treats business owners, CPAs and family advisers as the primary readers. It assumes no training in appraisal. Terms are defined where they first matter. The rules quoted are stated as the governing regulations and IRS instructions give them, and practical steps are described in plain language.

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 prepares every appraisal in accordance with USPAP, the Uniform Standards of Professional Appraisal Practice (USPAP, 2024 edition). One limit is worth stating early, because many operating companies own their buildings. AppraiseItNow does not appraise real estate. The worked example later in the chapter shows how a business valuation handles a company that owns real property.

For context on how often these purposes arise, AppraiseItNow's own engagement records give a profile of the work. 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.

Core concepts in valuing a closely held interest for Form 709, Form 706 and Form 8283

Defined terms used in this chapter

Closely held business interest. A closely held business interest is an ownership stake in a company whose shares or units do not trade on a public exchange. Examples are shares of a family corporation, a membership interest in an LLC, and a general or limited partnership interest. Ownership is usually concentrated among a few people, often related, and transfers are often restricted by a company agreement.

Company agreement. The company agreement is the governing document that sets the owners' rights. For a corporation it may be a shareholder agreement together with bylaws. For an LLC it is the operating agreement. For a partnership it is the partnership agreement. It typically addresses voting, distributions, transfer restrictions, buy-sell provisions and what happens when an owner dies or withdraws.

Subject interest. The subject interest is the precise thing being valued: a stated number of shares, a stated percentage of membership units, or a stated partnership percentage, with the rights attached to it under the company agreement.

Enterprise value and equity value. Enterprise value is a measure of the whole operating business. Equity value is what belongs to all owners together after accounting for debt and similar claims. Neither is the value of the subject interest. Both are steps toward it.

Pro rata value. Pro rata value is equity value multiplied by the ownership percentage. For a 10% interest in a company with $5 million of equity value, the pro rata value is $500,000. Pro rata value is a reference point. A minority holder cannot force a sale of the company or direct its distributions, so the subject interest may be worth more or less than its pro rata share.

Lack of control and lack of marketability. These are the two characteristics most often analyzed when moving from pro rata value to the value of a specific interest. Lack of control describes an interest that cannot direct the company's decisions. Lack of marketability describes an interest that cannot readily be sold for cash because no public market exists and the company agreement may restrict transfer. Whether these characteristics affect value, and by how much, is the appraiser's analytical judgment on the facts of each interest. No fixed percentage applies.

Effective date. USPAP defines the date to which an appraisal's value conclusion applies, and the chapter uses that framework (USPAP, 2024 edition). 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.

The subject is the interest, not the company

The most common conceptual mistake in transfer-tax valuation is to treat the question as "What is the company worth?" The correct question is "What is this particular interest worth on this particular date?" Two owners of the same company can hold interests with very different values per percentage point. A 51% voting interest that controls the board differs from a 9% non-voting interest that cannot compel a distribution. An interest subject to a right of first refusal differs from one that can be transferred freely.

For that reason, the appraiser reads the company agreement before forming any view of value. The agreement determines whether the interest votes, whether it shares in distributions in the same way as other interests, and whether the holder can sell, pledge or redeem it. These terms flow directly into the analysis of control and marketability.

Valuation dates for a gift, an estate and a donation

Each transfer type fixes its own valuation date. The three rules are short, and they are the foundation of everything else in this chapter.

For gifts, the regulations set the measuring date (Treas. Reg. § 25.2512-1). A gift is valued at its fair market value on the date of the gift.

For estates, the regulations set a different anchor (Treas. Reg. § 20.2031-1). Estate assets are valued at fair market value on the date of death.

Estates also have an elective alternative, governed by its own regulation (Treas. Reg. § 20.2032-1). 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.

The election has practical consequences for a business valuation. Because it covers every asset, a business interest cannot be valued on one date while the rest of the estate is valued on another. An executor weighing the election often asks the appraiser for values as of both the date of death and the alternate date. The executor and the estate's tax adviser then compare the results across the entire estate. Whether the election is available and advisable is their determination. The appraiser's role is to supply credible values for whichever dates are requested.

For charitable donations, the valuation date is tied to the contribution and to the timing of the appraisal. The rules appear in the qualified appraisal regulation (Treas. Reg. § 1.170A-17). 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.

AppraiseItNow applies these rules through a fixed policy on effective dates. 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.

The comparison below summarizes the dates for the three transfer settings.

Transfer	Form	Valuation date
Lifetime gift	Form 709	The date of the gift
Transfer at death	Form 706	The date of death, or the alternate date six months after death if the executor makes the election described above
Charitable donation	Form 8283	The donation date, or a date within the 60 days before the donation if the appraisal is dated before the donation

How the appraiser moves from company to interest

Business valuation practice organizes the analysis around three families of methods. The appraiser considers each and explains which ones are relied on and why.

The income approach estimates value from the cash flow the business is expected to generate. It uses either a single capitalized measure of normalized earnings or a multi-year forecast discounted to present value. The key inputs are normalized earnings, meaning earnings adjusted

for unusual or non-recurring items and for owner compensation that differs from market levels, and a rate of return that reflects the risk of the business.

The market approach estimates value from pricing evidence. That evidence can be multiples observed in transactions involving comparable businesses, prices paid for comparable public companies, or prior transactions in the subject company's own shares. A past offer for the company, or an earlier sale of an interest between owners, can be relevant evidence, although its weight depends on how closely its terms and timing match the valuation date.

The asset approach estimates value from the company's assets less its liabilities, each restated to current value. It is often central for holding companies whose value lies in what they own rather than in operating earnings. When the company holds significant tangible assets, such as a fleet of equipment or real property, those assets may need their own appraisals. Machinery and equipment fall within AppraiseItNow's asset classes. Real property is valued by a real estate appraiser, and the business appraiser uses that separate valuation as an input and identifies its source in the report.

After reaching an equity value for the company, the appraiser applies the ownership percentage to arrive at pro rata value. The appraiser then analyzes the characteristics of the subject interest, chiefly control and marketability as shaped by the company agreement, to reach the concluded value of the interest. The report explains each step so a reader can follow the reasoning from the financial statements to the final number.

What a gift appraisal must show for adequate disclosure on Form 709

A gift return has a feature that makes a well-documented appraisal especially valuable. The adequate disclosure regulation explains the link between disclosure and the period during which the IRS may question the value (Treas. Reg. § 301.6501(c)-1(f)). 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.

The same regulation lists what such an appraisal contains (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.

The phrase "in enough detail to replicate the value" sets the standard for the financial data in a business valuation report. As practical advice, and not as an additional regulatory requirement, a reader can test a report against that phrase. A conclusion supported only by a summary table is hard to test. A report is easier to test when it presents the financial statements as the appraiser adjusted them, the inputs to each method, how any rate of return or multiple was chosen, how

the methods were reconciled, and how the subject interest's characteristics were analyzed. A reviewer should be able to start from the report's own figures and follow the path to the same value.

The regulation also addresses who may prepare the appraisal (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. In a family business, whether a particular person is excluded depends on whether that person is the donor or a donee, is a member of the family of either, or is employed by either.

What a donation appraisal must show for Form 8283 Section B

Donated business interests follow the general noncash contribution rules. The reporting regulation addresses private company interests directly (Treas. Reg. § 1.170A-16). 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.

The general rule on grouping is set out in the same regulation (Treas. Reg. § 1.170A-16). 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. Whether two donated interests are similar items is a determination for the donor's tax adviser. This chapter does not make that determination.

Timing is governed by the qualified appraisal regulation (Treas. Reg. § 1.170A-17). 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.

The same regulation sets the appraiser's qualifications and independence (Treas. Reg. § 1.170A-17). 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.

The phrase "for that type of property" matters for business interests. A person experienced in valuing other asset classes is not, on that basis alone, experienced in valuing closely held businesses. The donor and adviser should confirm that the appraiser's designation or experience relates to business valuation specifically. Between them, AppraiseItNow's appraisers hold ASA, ISA, AAA, CAGA, NACVA, NEBB Institute, ABV and CFA credentials. AppraiseItNow's appraisers specialize by asset class rather than by geography.

Who may sign: the gift and charitable rules side by side

The gift rule and the charitable rule overlap but are not identical. The table restates each rule in the words of its source, so readers can compare them without paraphrase.

Setting	Rule as stated
Gift (Form 709), adequate disclosure	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.
Donation (Form 8283), qualified appraiser	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.

A family that expects to make both gifts and donations of the same company's interests can plan for an appraiser who satisfies both rules. That avoids the need to replace the appraiser partway through a multi-year plan.

Extraordinary assumptions and gaps in the record

Private company records are often incomplete as of a past valuation date. Year-end financial statements may not be finalized, a capital account schedule may be out of date, or a pending contract may have an uncertain outcome. USPAP addresses how an appraiser proceeds when a fact cannot be confirmed (USPAP, 2024 edition). 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.

In transfer-tax work, readers of the report should check every extraordinary assumption. If the value depends on an assumption that later proves wrong, the conclusion may no longer hold. Where practical, the better course is to obtain the missing document before the valuation is completed. An example is a signed copy of an amended operating agreement rather than an unsigned draft.

A related setting: Roth IRA conversions of private company interests

A Roth IRA conversion of an IRA that holds a private company interest also calls for a value of that interest. The conversion regulation states the tax basis of the conversion (Treas. Reg. § 1.408A-4). 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.

The custodian's reporting role is described in the information return instructions (Instructions for Forms 1099-R and 5498 (2026)). 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). The same instructions describe a separate annual report (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).

The practical inputs differ from a gift or estate engagement because the custodian, not the owner, holds the asset. 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. The analytical work of moving from company to interest is the same as described above.

What AppraiseItNow collects before a business valuation begins

The documents an appraiser receives shape the quality of the valuation more than any other factor. AppraiseItNow collects what the appraiser needs before the appraisal starts, and asks only for what the appraiser needs. 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.

The last sentence deserves emphasis. Owners frequently state their percentage from memory, from an old organizational document, or by confusing a percentage of their own holdings with a percentage of the company. A capitalization table, stock ledger or capital account schedule as of the valuation date resolves the question. So does the most recent tax return schedule showing each owner's share, read alongside any transfers made after it.

Clients request an appraisal from AppraiseItNow online and receive a fixed-fee quote before any work begins; AppraiseItNow does not bill hourly. Most AppraiseItNow appraisals are completed remotely from photographs and documents; when an inspection is needed, an appraiser visits the asset in person. AppraiseItNow's website is www.appraiseitnow.com.

A worked example (hypothetical): one family company valued for a gift, an estate and a donation

This example is hypothetical. The company, the people and every figure are invented to illustrate the concepts in this chapter. The percentage adjustments are illustrative judgments made for teaching purposes. They are not prescribed rates and should not be applied to any real interest.

The facts of the hypothetical

A precision machining business is organized as an LLC. At the start of 2026, according to the owners' understanding, two siblings hold all the membership units. The older sibling (the "majority member") holds 70%, and the younger sibling (the "minority member") holds 30%. The operating agreement requires the consent of members holding more than 50% of the units

for major decisions. It restricts transfers to outsiders without the other members' consent and gives the company a right of first refusal on any proposed sale. The company owns its manufacturing building and a substantial inventory of machinery and equipment.

Three transfers occur in 2026:

1. On March 2, 2026, the majority member gives a 10% membership interest to an adult child.
2. On June 20, 2026, the minority member dies holding a 30% membership interest.
3. On September 14, 2026, the majority member donates a 5% membership interest to a charity.

Each transfer calls for its own valuation: a gift for Form 709, an estate for Form 706, and a donation for Form 8283.

Step 1: Confirm what is being valued

Before any analysis, the appraiser requests the operating agreement, the capital account schedule, and the company's most recent tax return showing each member's share. The capital account schedule reveals a discrepancy. Two years earlier, the company redeemed a small number of units from the majority member to settle a loan. As a result, 98 units are outstanding. The majority member held 68 units (about 69.4%), not 70%, and the minority member held 30 units (about 30.6%).

This is the fact the chapter flagged as most often wrong. Once it is corrected, the family and its advisers restate the transfers in units rather than percentages. The gift is 10 units, the estate holds 30 units and the donation is 5 units, out of 98 outstanding. Each interest is then expressed as a percentage of the actual unit count. The example below rounds those percentages to 10%, 30% and 5% for readability. A real report would carry the exact unit counts throughout.

After the March gift, the majority member holds 58 units (about 59%), the minority member 30 and the child 10. After the September donation, the majority member holds 53 units, still more than half of the 98. Throughout the year, the majority member alone can supply the consent the operating agreement requires.

A second clarification follows. The donation is described in the deed of gift as "5% of the company." The majority member had at first described it as "5% of my holdings." Those are different interests. The appraiser values what the transfer document conveys, and the transfer document controls.

Step 2: Set three valuation dates

Applying the date rules from the core concepts section:

- The gift is valued on March 2, 2026, the date of the gift.
- The estate interest is valued on June 20, 2026, the date of death. The executor also asks for a value as of December 20, 2026, six months after death, so the estate's tax adviser can evaluate the alternate valuation election across all estate assets.

- The donation is valued on September 14, 2026, the donation date. The appraiser signs and dates the donation appraisal on October 5, 2026, after the donation, so the valuation date is the donation date. The donor's tax adviser identifies the due date, with extensions, of the return that first claims the deduction. The adviser confirms the appraisal will be signed and in the donor's hands by then.

Step 3: Value the company on each date

The building is outside the business appraiser's scope, so the company engages a real estate appraiser to value it as of each requested date. The business appraiser uses those values as inputs to the asset approach and identifies their source. The machinery and equipment are appraised as part of the engagement.

The business appraiser develops an income approach based on normalized earnings and a market approach based on transaction multiples. Because the company is an operating business, the asset approach serves as a check rather than the primary indication. Between March and June, the company loses a significant customer. The income approach reflects the lower expected cash flow, and the June value falls. By September, a replacement contract has been signed, and the value partly recovers.

The hypothetical equity values of the whole company are:

Valuation date	Purpose	Equity value of the company (hypothetical)
March 2, 2026	Gift	$8,800,000
June 20, 2026	Estate, date of death	$8,500,000
September 14, 2026	Donation	$8,700,000

The appraiser also completes the December 20, 2026 valuation the executor requested. That figure is not carried through this example, because whether the election applies is the executor's decision on facts that extend beyond the business interest.

Step 4: Move from company value to the value of each interest

For each interest, the appraiser calculates pro rata value. The appraiser then analyzes the interest's characteristics under the operating agreement. None of the three interests can direct the company's decisions, because the majority member's units exceed half of those outstanding on every date, and all three are subject to the transfer restrictions and the right of first refusal. The appraiser concludes that each interest lacks control and lacks marketability. The appraiser quantifies those characteristics separately for each interest based on its size and the facts on its date.

The 30-unit estate interest is larger than the others and is the largest block held by anyone other than the majority member. It still cannot direct decisions or block them. In this illustration, the appraiser judges that its larger size gives its holder somewhat more weight in any negotiation with the majority member, so the lack of control is somewhat less severe than for the 10-unit and 5-unit interests. The appraiser applies smaller illustrative adjustments to it.

Interest	Pro rata value	Illustrative lack of control adjustment	Value after control adjustment	Illustrative lack of marketability adjustment	Concluded value (hypothetical)
10% gift, March 2, 2026	$880,000	10%	$792,000	25%	$594,000
30% estate interest, June 20, 2026	$2,550,000	8%	$2,346,000	22%	$1,830,000 (rounded from $1,829,880)
5% donation, September 14, 2026	$435,000	10%	$391,500	25%	$294,000 (rounded from $293,625)

The pro rata values use round percentages for readability, as noted in Step 1.

Step 5: Prepare each report for its setting

The analysis is shared, but the three reports are not interchangeable. Each one is built for its filing.

The gift report states the transfer date of March 2, 2026, the report date and the purpose. It describes the 10-unit interest and the operating agreement terms, and states its assumptions and limiting conditions. It lists the financial data considered in enough detail for a reader to replicate the $594,000 conclusion. It also explains why the income and market approaches were relied on. The donor's adviser assembles the rest of the disclosure required on the return. The appraiser is not the donor, a donee, a member of either's family, or someone they employ.

The estate report states an effective date of June 20, 2026, and a separate report date. It explains the customer loss and its effect on the income approach. It analyzes the 30-unit interest's position under the operating agreement. A companion analysis supplies the December 20, 2026 value for the executor's comparison.

The donation report states that the valuation date is the September 14, 2026 donation date. It is signed and dated on October 5, 2026, after the donation. It addresses the 5-unit interest conveyed by the deed of gift. The appraiser's designation or experience is in business valuation,

and the appraiser is not among the parties the rule excludes: the donor, the charity, whoever sold or gave the donor the property, and anyone related to or employed by them. If the claimed deduction is over $5,000, the rule for privately held stock, LLC interests and partnership interests calls for a qualified appraisal and Section B. Whether the deduction is allowed, and in what amount, is for the donor's tax adviser to determine. The appraisal supplies the value of the interest, not a conclusion about deductibility.

What the hypothetical illustrates

One company produced three different concluded values in a single year. The differences came from three sources: the size of each interest, the rights attached to it, and events between the valuation dates. A single "company value" quoted at a family meeting would have been wrong for every one of the three filings. The ownership correction in Step 1 changed every percentage in the analysis, which shows why confirming the subject interest comes first.

Common errors in transfer-tax valuations of closely held interests

Stating the wrong ownership percentage

Owners rely on memory or on an outdated document. Redemptions, new issuances, earlier gifts and capital calls all change percentages over time. The remedy is to confirm units and percentages from the capital account schedule, stock ledger or similar record as of the valuation date. Each transfer should be described in units or shares rather than percentages alone.

Confusing a percentage of the company with a percentage of the owner's holdings

"Ten percent" can mean 10% of the company or 10% of what the transferor owns. These are different interests with different values. The transfer document should say which, and the appraiser values what the document conveys.

Treating pro rata value as the value of the interest

Multiplying company value by the ownership percentage gives a reference point, not a conclusion. The subject interest's rights under the company agreement may make it worth more or less than its pro rata share. Omitting that analysis produces a number that does not answer the question the filing asks.

Using the wrong valuation date

A report prepared for one purpose is sometimes reused for another without regard to the date. A valuation as of a year-end reporting date does not answer the question posed by a gift made in March. A valuation prepared months before a donation may fall outside the window allowed for a

donation appraisal. Each transfer type has its own date rule, and the report must state the effective date that rule requires.

Overlooking the scope of the alternate valuation election

Executors sometimes consider the six-month alternate date for the business interest alone. The election covers every asset. If the estate is evaluating the election, values on both dates are needed for the business interest and for everything else in the estate.

Relying on the old $10,000 rule for donated private stock

Some donors and advisers remember a separate threshold for nonpublicly traded stock. That rule ended for gifts after July 30, 2018. Privately held stock, LLC interests and partnership interests now follow the same rule as other property.

Choosing an appraiser who is not independent

For a gift appraisal that is meant to satisfy the regulation, the appraiser can't be the donor, a donee, a member of either's family, or someone they employ. For donations, the excluded parties also include the charity, whoever sold or gave the donor the property, and anyone related to or employed by them. These exclusions should be checked against the facts of each relationship when the appraiser is engaged, not after the report is written.

Choosing an appraiser whose experience is in a different type of property

The charitable rules call for a designation, or coursework and experience, for that type of property. An appraiser's experience with one asset class does not carry over to closely held business valuation automatically.

Submitting a report that cannot be replicated

For a gift of a business interest, the appraisal that supports adequate disclosure lists the financial data in enough detail to replicate the value. A report that shows only a summary, without the inputs and reasoning, may fail to serve that purpose. That would leave the period for questioning the value open.

Leaving extraordinary assumptions unexamined

When documents are missing, an appraiser may proceed on an extraordinary assumption only under the conditions USPAP sets, and the report must say so clearly. Readers should find every such assumption in the report and consider whether the missing fact can be confirmed before filing.

Valuing real property without a real estate appraisal

When the company owns real estate, the business valuation needs a credible value for that property. AppraiseItNow does not appraise real estate. In that situation, a separate real estate appraisal is obtained and used as an input, and the business report identifies its source.

Review questions on gift, estate and charitable valuation of business interests

1. Why does a transfer-tax valuation begin by confirming the subject interest rather than the value of the company as a whole?
2. On what date is a gift of a closely held interest valued? On what date is an interest held at death valued?
3. Under what condition may an executor elect the date six months after death? What happens to an asset sold during those six months if the election is made?
4. When does the IRS's three-year period to challenge a gift's value begin? What part of the required disclosure does a compliant appraisal cover for a business interest?
5. For a gift of a business interest, what level of detail must the appraisal's financial data reach?
6. Name the parties who cannot prepare a gift appraisal under the adequate disclosure regulation, and the parties who cannot be the appraiser for a charitable donation. Which parties appear on the charitable list but not on the gift list?
7. A donor gives an LLC interest to a charity and expects to claim a deduction over $5,000. What does the rule for privately held stock, LLC interests and partnership interests require? What happened to the older $10,000 rule?
8. An appraisal for a donation is signed and dated before the donation. Within what period must its valuation date fall? If it is signed on or after the donation, what is the valuation date?
9. In the hypothetical, why did the 30% estate interest receive a smaller illustrative lack of control adjustment than the 10% and 5% interests?
10. In the hypothetical, what discrepancy did the capital account schedule reveal, and why did it affect every transfer?
11. What three conditions must be met before an appraiser may rely on an extraordinary assumption, and what must the report do when one is used?
12. What documents does AppraiseItNow need for a business valuation, and which fact does it identify as most often wrong?
13. For a Roth IRA conversion of an IRA holding a private company interest, on what value is the conversion taxed, and which form does the custodian use to report it?
14. Why does a business valuation for a company that owns its building require a separate appraisal of the real estate in AppraiseItNow's engagements?

Further reading on transfer-tax valuation rules and standards

- 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
- Instructions for Form 709 (2025): IRS Instructions for Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return
- 26 U.S.C. §§ 2031 and 2032: Internal Revenue Code sections 2031 (definition of gross estate) and 2032 (alternate valuation)
- Treas. Reg. § 20.2031-1: Definition of gross estate; valuation of property
- Treas. Reg. § 20.2032-1: Alternate valuation
- Instructions for Form 706 (Rev. July 2026): IRS Instructions for Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return
- 26 U.S.C. § 170(f)(11) and (f)(16): Internal Revenue Code section 170: charitable contributions
- Treas. Reg. § 1.170A-16: Substantiation and reporting requirements for noncash charitable contributions
- Treas. Reg. § 1.170A-17: Qualified appraisal and qualified appraiser
- Instructions for Form 8283 (Rev. December 2025): IRS Instructions for Form 8283, Noncash Charitable Contributions
- IRS Publication 526 (2025): Charitable Contributions
- Treas. Reg. § 1.408A-4: Converting amounts to Roth IRAs
- Instructions for Forms 1099-R and 5498 (2026): IRS Instructions for Forms 1099-R and 5498
- IRS Publication 590-A: Contributions to Individual Retirement Arrangements (IRAs)
- USPAP, 2024 edition (The Appraisal Foundation): Uniform Standards of Professional Appraisal Practice
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