APPRAISEITNOW

Choosing a Valuation Provider for a Roth IRA Conversion of Private Company or Fund Units: A 2026 Buyer's Handbook

AppraiseItNow Inc.

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Educational material, not an appraisal.

This handbook was published by AppraiseItNow Inc. in 2026. It covers one decision: choosing who will value private company or fund units that an IRA owner plans to convert from a traditional IRA to a Roth IRA. It explains what the custodian needs, what separates a usable valuation from a weak one, and which questions bring that difference to the surface before an engagement begins.

Who this handbook on Roth conversion valuations of private units is for

The reader this handbook has in mind already holds, or advises someone who holds, an interest in a private business or a private fund inside an IRA. Usually the IRA is self-directed, which means the custodian allows assets that do not trade on an exchange. The owner, or the owner's tax adviser, has decided to move some or all of those units into a Roth IRA, and the custodian has asked for a value.

Readers this handbook addresses

- **IRA owners** who hold LLC membership units, partnership interests, shares of a closely held corporation, or limited partner interests in a private fund, and who need to understand what they are buying when they engage a valuation provider.
- **CPAs and tax advisers** who will use the converted value in a client's return and who want the valuation to hold up to review.
- **Business owners and company finance staff** whose company's units sit in an investor's or employee's IRA, and who will be asked to supply financial statements, the operating agreement, and capitalization records.
- **Financial advisers and family office staff** who coordinate among the IRA owner, the custodian, and the valuation provider.

What this handbook covers and what it leaves out

The handbook covers valuations of interests in operating companies, holding companies, and private investment funds held in an IRA. It does not address appraisals of real property. AppraiseItNow does not appraise real estate. Readers whose IRA holds land or buildings directly need a provider who does that work, and this handbook's criteria for business valuations will not fit that work.

Terms used throughout

Term	Meaning in this handbook
Converted units	The specific units, shares, or partnership interest moving from the traditional IRA to the Roth IRA in a given conversion
Conversion date	The date the units move from the traditional IRA to the Roth IRA
Custodian	The financial institution that holds the IRA, keeps its records, and files the related information returns
FBO name	The "for benefit of" title under which the custodian holds the asset, for example the custodian's name followed by "FBO" and the IRA owner's name and account
Custodian's form	The custodian's own valuation or asset-statement document, which the custodian requires for assets it cannot price from a market
Effective date	The date the value applies to
Report date	The date the valuation report is signed and issued
Capitalization table	The company's record of every class of equity, the number of units in each class, and who holds them

How a valuation of private units for a Roth IRA conversion works

What the conversion value determines and who reports it

The valuation supports the value on which the conversion is taxed. 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 underlying rule appears in the Roth conversion regulation (Treas. Reg. § 1.408A-4).

In practice, two different people answer two different questions. The valuation provider answers "what were the converted units worth on the conversion date." The IRA owner's tax adviser answers "how much of the IRA has already been taxed," which is the after-tax basis piece. A valuation report should not attempt the second question, and a tax adviser should not be left to guess at the first.

Why the custodian asks for a supported value

A custodian can look up a public stock's closing price. It cannot look up the price of a 3 percent membership interest in a regional distributor or a limited partner interest in a venture fund. 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 IRS instructions describe this reporting obligation (Instructions for Forms 1099-R and 5498 (2026)).

Because each custodian writes its own form, two IRA owners holding identical units at two different custodians can face different paperwork. Items a custodian's form may ask for include:

- The FBO name and account number exactly as the custodian holds them
- A description of the asset and the number of units held and converted
- The effective date of the value
- A value per unit, a total value, or both
- The name, signature, and qualifications of the person who prepared the value
- A statement about the preparer's independence from the IRA owner
- A copy of the supporting valuation report

The custodian's form is the first document a valuation provider should see. A provider who writes a report first and looks at the form afterward may produce a sound valuation that still has to be reworked to answer the questions the custodian actually asks.

The conversion date as the effective date

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).

For a Roth conversion, the effective date is the conversion date. When the report is signed after the conversion has occurred, the effective date is a past date, and the report date is later. A report that gives only one date, or that blurs the two, creates a question the custodian or a later reviewer will ask.

Two practical situations deserve attention:

- **Partial conversions spread over time.** An owner who converts a block of units in one month and another block later in the year has two conversion dates. Each date needs its own value, because the company's results, the fund's holdings, or market conditions may have changed between them.
- **Conversion dates between financial reporting periods.** Private companies close their books monthly, quarterly, or annually. Funds issue capital account statements on a schedule. The conversion date rarely lands on a statement date, so the valuation has to account for what happened between the last available statement and the conversion date.

The year-end value is a separate request

Separately, the custodian reports the account's December 31 value each year on Form 5498 (boxes 15a and 15b for hard-to-value assets). This annual reporting appears in the same IRS instructions (Instructions for Forms 1099-R and 5498 (2026)). An IRA owner whose Roth IRA will continue to hold the converted units should treat the conversion valuation and any year-end valuation as two separate requests with two different effective dates. The custodian may ask for its year-end figure on its own schedule and its own form.

How the conversion valuation differs from gift and estate valuations

Readers often hold the same private company interest for several tax purposes over time. A gift is valued at its fair market value on the date of the gift (Treas. Reg. § 25.2512-1). Estate assets are valued at fair market value on the date of death (Treas. Reg. § 20.2031-1).

Each purpose ties the value to a different event: the date of a gift, the date of death, or the conversion date. The report states its effective date and its report date. A reader who needs values for more than one filing should check that the effective date on each report matches the event that the filing turns on, because the units' value on one of those dates says nothing by itself about their value on another.

Hypothetical example: a partial conversion of LLC units

This example is hypothetical. An IRA owner's self-directed IRA holds 30,000 Class A membership units of a privately held manufacturing company organized as an LLC. The IRA owner plans to convert 12,000 of those units on a single conversion date. The owner believes the converting units are "3 percent of the company."

When the valuation provider reviews the operating agreement and capitalization table, the following facts emerge:

1. The company has 400,000 Class A units and 100,000 Class B units outstanding, for 500,000 units in total.
2. The 30,000 units the IRA holds are 7.5 percent of Class A and 6 percent of all units outstanding.
3. The 12,000 converting units are 3 percent of Class A but 2.4 percent of all units outstanding.
4. Class B units carry a preferred return that must be paid before Class A units share in distributions.

The owner's "3 percent of the company" is the converting block's share of Class A only. It is not the converting block's share of total units, which is 2.4 percent, and it does not measure the block's economic rights, because the preferred return on Class B changes what Class A units receive. A valuation built on the owner's figure would misstate the value of the converting block.

The provider values the 12,000 units with their actual rights, explains in the report how the Class B preference affects them, and states a value per Class A unit and a total for the 12,000 units as of the conversion date. The tax adviser then handles basis and reporting.

Hypothetical example: limited partner units in a private fund

This example is also hypothetical. A traditional IRA holds a limited partner interest in a private credit fund. The most recent capital account statement is dated at the end of the quarter before the conversion date. Between that quarter end and the conversion date, the fund made a distribution and one of its larger loans was restructured.

A careful provider does not simply carry the quarter-end capital account forward. It asks the fund's administrator about activity after the statement date, considers the distribution and the restructuring, and explains how they affect the value of the interest on the conversion date. If a fact cannot be confirmed, such as whether a reported distribution actually settled before the conversion date, the appraisal standards allow a specific treatment. 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).

Criteria for evaluating a Roth conversion valuation provider

The criteria below follow from what the custodian needs and what a later reviewer will look for. They apply whether the converted asset is an operating company interest or fund units.

Experience with the specific type of interest

Valuing a controlling stake in a company differs from valuing a small minority block of membership units, and both differ from valuing a limited partner interest in a fund. The provider should be able to describe how it handles the type of interest at issue. For company interests, that means how it reads an operating agreement or shareholder agreement for transfer restrictions, distribution rights, and class preferences. For fund units, it means how it works from capital account statements, the limited partnership agreement, and the fund's underlying holdings.

Fit with the custodian's form

The provider should ask for the custodian's form at the start and treat the form's questions as part of the scope. A strong provider completes or supports every field the form asks about, uses the FBO name exactly as the custodian holds it, and states value in the units the form requests (per unit, total, or both).

Independence from the IRA owner, the company, and the fund

Each custodian sets its own requirements, and the custodian's form often asks for an independent valuation. The reader should confirm that the provider has no ownership stake in the company or fund, no role in managing it, and no family or employment relationship with the IRA owner. Even where a custodian's form does not ask about independence, a value prepared by someone outside the transaction is easier to defend.

Standards the work is prepared under

The reader should ask which professional standards govern the report. A report prepared under the Uniform Standards of Professional Appraisal Practice states its effective date and report date and says clearly when it relies on an extraordinary assumption, which gives the custodian and the tax adviser a consistent structure to review.

Documentation a reviewer can follow

A custodian may never question the value. The IRA owner's tax adviser, or a later examiner, may question it closely. The report should identify the information considered, explain the methods used and why they fit this interest, explain any adjustments for the converting block's lack of control or limited marketability and the facts behind them, and show how the final value was reached. A one-page letter stating a number gives a reviewer nothing to work with.

Precision about units and dates

The provider should insist on confirming the exact number of converting units, the class they belong to, and the conversion date from documents rather than memory. The hypothetical LLC example above shows how a percentage taken from memory can misstate the converting block.

Fee structure that is clear before work starts

The reader should know before engaging whether the fee is fixed or billed by the hour, and what would cause it to change. Hourly billing on a retrospective valuation can be hard to predict when documents arrive in stages.

Clear boundaries of scope

A provider should state plainly what it does and does not do. Calculating the IRA owner's after-tax basis, filing the custodian's information returns, and advising on whether to convert are separate tasks, and a provider that blurs these lines creates confusion about who is responsible for what.

Criteria summary

Criterion	What to look for	Why it matters to the custodian and the tax adviser
Interest-type experience	Clear explanation of how minority company units or fund units are valued	The value reflects the rights the converted units actually carry
Custodian form fit	Form requested at intake; every field addressed	Fewer returned submissions and resubmissions
Independence	No stake, role, or family or employment tie	Matches what the custodian's form commonly asks for
Standards	Report prepared under USPAP	Consistent dating and disclosure of assumptions
Documentation	Information considered, methods, reasoning, and adjustments shown	A reviewer can follow the value from inputs to conclusion
Units and dates	Units, class, and conversion date confirmed from records	Prevents the most common factual error
Fee clarity	Fixed or hourly, stated before work	No disputes mid-engagement
Scope boundaries	Basis, filing, and tax advice stated as separate tasks	Responsibilities stay clear

Questions to ask a valuation provider before a Roth conversion of private units

The questions below are grouped by topic. Each includes a short note on what a useful answer sounds like.

Questions about the custodian's requirements

1. **"Will you review the custodian's form before quoting, and will your report answer every item on it?"** A useful answer treats the form as part of the scope, not an afterthought.
2. **"Will the report and form show the FBO name and account exactly as the custodian holds them?"** Small mismatches in the account title can cause a custodian to return a submission.
3. **"Does the custodian need a value per unit, a total value, or both, and will you provide what it asks for?"** The answer should come from the form itself.

Questions about the interest being valued

4. **"Which documents will you use to confirm the number and class of converting units?"** Look for the operating or partnership agreement, the capitalization table, and the IRA's own holding records, not the owner's recollection.
5. **"How do you treat class preferences, transfer restrictions, and distribution rights?"** A useful answer explains how these terms change what a block of units is worth.
6. **"For fund units, how do you bridge the gap between the last capital account statement and the conversion date?"** Look for a description of follow-up with the fund administrator and of how activity after the statement date is considered.

Questions about dates

7. **"Will the report state both the effective date and the report date?"** The answer should be yes without qualification.
8. **"If the owner converts in more than one block this year, how will each conversion date be handled?"** Each date needs its own value.
9. **"If the custodian later asks for a December 31 figure, how would the report state that effective date?"** A clear answer keeps the year-end date distinct from the conversion date.

Questions about method and support

10. **"Which valuation approaches do you expect to consider for this interest, and what would lead you to rely on one over another?"** The provider will not know the answer before seeing the documents, but it should be able to describe how it decides.
11. **"How will the report explain any adjustment for the converting block's lack of control or limited marketability?"** Look for a commitment to tie any adjustment to the facts of the agreement and the company or fund.
12. **"If a fact cannot be confirmed, how will the report disclose it?"** The answer should describe clear disclosure, consistent with the appraisal standards' treatment of extraordinary assumptions.

Questions about the provider and the engagement

13. **"Do you, or does anyone preparing the report, have any relationship with the IRA owner, the company, or the fund?"** The answer should be a clear no, or a full disclosure.
14. **"Who prepares the valuation, and what credentials and experience with business interests do they hold?"** Look for a named credential and relevant experience, not a general description.

15. **"Is the fee fixed or hourly, and what would change it?"** The answer should be specific before work begins.
16. **"What will you need from the IRA owner and from the company, and what will you not ask for?"** A provider that can list its document needs in advance is a provider that has done this work before.

What a complete Roth conversion valuation engagement includes

Documents the IRA owner and the company assemble

A complete engagement starts with complete inputs. 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.

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.

Drawn from those two statements, the working checklist for a Roth conversion of company units is:

- The custodian's form
- The FBO name and IRA account number as the custodian shows them
- The conversion date and the units converting
- What is being valued (the company, the interest or percentage) and the valuation date
- Financial statements or tax returns up to the valuation date
- The company agreement
- Any past appraisals or offers, which help

Additional documents that may help, offered as general suggestions

The following items are general suggestions about what any valuation provider may find useful. They are not part of AppraiseItNow's needs lists above, and a given provider or custodian may ask for more, fewer, or different items.

- The capitalization table as of the conversion date, which helps confirm the number and class of units
- Amendments to the operating, partnership, or shareholder agreement
- For fund units, the limited partnership agreement and the most recent capital account statements
- For fund units, notices of distributions or capital calls near the conversion date

The company's finance staff usually holds most of these documents. IRA owners with a small minority stake sometimes have to request them formally under the information rights in the company agreement, so it helps to start that request early.

What the finished report contains

A report that serves a custodian and a tax adviser well contains:

- The purpose of the valuation (a Roth IRA conversion) and the intended users
- The effective date (the conversion date) and the report date, stated separately
- An exact description of the converted units: number, class, entity, and the IRA holding them
- A description of the company or fund, including its operations or holdings
- The information considered, listed specifically
- The approaches and methods used, why they fit this interest, and why others were set aside
- Any adjustments for lack of control or limited marketability, with the facts behind them
- The concluded value per unit and in total for the converted units
- Assumptions and limiting conditions, with any extraordinary assumption disclosed clearly
- The preparer's signature, credentials, and a statement of independence
- The custodian's form, completed or supported as the custodian requires

Steps from engagement to custodian submission

1. The IRA owner obtains the custodian's form and confirms the conversion date and the converting units with the custodian.
2. The owner, or the tax adviser, gathers the documents on the checklists above and shares them with the valuation provider.
3. The provider reviews the documents, confirms the unit count and class against the capitalization table, and raises questions about gaps.
4. The provider prepares the valuation as of the conversion date and issues the signed report.
5. The provider completes or supports the custodian's form.
6. The IRA owner submits the form and report to the custodian.
7. The tax adviser uses the reported value, along with any after-tax basis, in preparing the return.

Common problems that weaken a custodian submission

- **A percentage instead of a unit count.** The owner reports "about 5 percent," but the capitalization table shows a different figure once all classes are counted.
- **The wrong date.** The report values the units as of the last statement date rather than the conversion date.

- **A mismatched account title.** The report names the IRA owner personally rather than the FBO title.
- **A missing form.** The report is complete, but the custodian's own form is not.
- **Unsupported adjustments.** The report applies a reduction for lack of control or marketability without tying it to the terms of the company agreement.
- **An undisclosed assumption.** The report relies on an unconfirmed fund distribution without saying so.
- **One value for several dates.** An owner who converted in two blocks submits a single value for both conversion dates.

How AppraiseItNow handles these points for a Roth conversion of private units

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 is an appraisal company that prepares appraisals itself; it is not appraisal software and does not manage appraisal orders for lenders. Joe Kattan is the owner and chief executive officer of AppraiseItNow.

Standards and dating

AppraiseItNow prepares every appraisal in accordance with USPAP, the Uniform Standards of Professional Appraisal Practice. 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.

Intake and document collection

AppraiseItNow collects what the appraiser needs before the appraisal starts, and asks only for what the appraiser needs. For a Roth conversion, that means the custodian's FBO name and account, the custodian's form, the conversion date and the units converting. For the company or fund interest itself, 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.

Fees and how the work is done

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.

Appraiser specialization and credentials

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.

Volume and mix of 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.

Scope boundaries

AppraiseItNow does not appraise real estate. For an IRA conversion, AppraiseItNow sets the effective date to the conversion date and needs the custodian's form. As general information, and not as a description of any provider's service, the after-tax basis, the preparation of the return, and the decision whether to convert are matters for the IRA owner and the owner's tax adviser.

AppraiseItNow's website is www.appraiseitnow.com.