APPRAISEITNOW

Roth IRA Conversion Valuation Checklist Manual for Private Company Units (2026 Edition)

AppraiseItNow Inc.

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Educational material, not an appraisal.

How to use this Roth conversion valuation manual

This manual is the 2026 edition, published by AppraiseItNow Inc. It covers one task: preparing a fair market value appraisal of units in a privately held company when those units are converted from a traditional IRA to a Roth IRA. It is written for three readers. The first is the IRA owner. The second is the CPA or tax adviser who prepares the return. The third is the business owner or company manager who holds the company's records.

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. An IRA that holds both company units and real estate therefore needs a separate valuation for the real estate. AppraiseItNow's website is www.appraiseitnow.com.

Defined terms used in this manual

- **Custodian**: the trust company or other institution that holds the IRA's assets and keeps the IRA's records.
- **FBO name**: the exact legal title of the IRA account, written in the "for the benefit of" form, for example "[Custodian name], Custodian FBO [Owner name] IRA". The traditional IRA and the Roth IRA usually carry different FBO titles and different account numbers.
- **Units**: the ownership measure the company uses. This can be LLC membership units, shares of stock in a closely held corporation, or a percentage interest in a partnership.
- **Units converting**: the specific number and class of units moving from the traditional IRA to the Roth IRA in this conversion. This is often fewer than all the units the IRA holds.
- **Conversion date**: the date the custodian's records show the units moving from the traditional IRA to the Roth IRA. The reader confirms this date with the custodian and does not estimate it.
- **Effective date**: the date the appraised value applies to. It is defined under USPAP below.
- **Hard-to-value asset**: an asset without a readily available market price, such as units in a private company.
- **After-tax basis**: any portion of the IRA's value that has already been taxed, as tracked by the owner and the owner's tax adviser. The appraiser does not determine it.

The two values a custodian reports for converted units

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 valuation side of that rule is set out in the Roth conversion regulation (Treas. Reg. § 1.408A-4).

Separately, the custodian reports the account's December 31 value each year on Form 5498 (boxes 15a and 15b for hard-to-value assets). That annual reporting is described in the IRS instructions for these forms (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 cover this point (Instructions for Forms 1099-R and 5498 (2026)).

In practice, a single conversion can involve two different dates. The conversion date drives the Form 1099-R figure. December 31 drives the Form 5498 figure. A valuation that answers one date does not, by itself, answer the other.

How each checklist step is written

Every step below follows the same pattern:

1. A numbered action.
2. **Pass**: what the result looks like when the step is complete.
3. **Fail**: what the result looks like when the step needs rework.
4. **Note**: a short explanation of why the step matters.

Readers work through the sections in order. A failed step is fixed before the next section begins, because later steps rely on the earlier ones.

Where Roth conversion work sits in AppraiseItNow's caseload

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. Roth conversions are a small, specialized share of the work. AppraiseItNow prepares every appraisal in accordance with USPAP, the Uniform Standards of Professional Appraisal Practice.

Pre-order checklist for the IRA owner and CPA converting private company units

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 steps below gather those four items before an appraisal is requested.

1. **Confirm that the converting asset is a company interest.**

- Pass: the reader can name the company, its entity type (LLC, corporation or partnership) and the class of units the IRA holds.
- Fail: the converting asset is real estate, or a mix of real estate and company units that has not been separated.
- Note: if the IRA holds real estate directly, that asset falls outside AppraiseItNow's scope. If the company owns real estate inside it, the reader tells the appraiser this at the start.

2. **Write down the custodian's FBO name exactly as it appears on the custodian's statement.**
   - Pass: the FBO title is copied character for character from a current statement for both the traditional IRA and the Roth IRA.
   - Fail: the title is typed from memory, abbreviated or shortened to the owner's name alone.
   - Note: the FBO title is the account's legal title, so it is copied from the statement and not reconstructed.
3. **Record both account numbers.**
   - Pass: the traditional IRA number and the receiving Roth IRA number are both listed and labeled.
   - Fail: only one number is listed, or the numbers are not labeled.
   - Note: if the Roth IRA has not yet been opened, the reader records that fact and adds the number once it is issued.
4. **Request the custodian's valuation form, or written confirmation of what the custodian accepts.**
   - Pass: the reader holds the current version of the custodian's form, or an email from the custodian describing what it needs.
   - Fail: the reader is relying on an old form, a form from a different custodian or a verbal description.
   - Note: each custodian sets what it needs to support the value, so the reader follows the custodian's own form.
5. **Fix the conversion date.**
   - Pass: the date is confirmed by the custodian, or for a planned conversion, agreed in writing between the owner and the custodian.
   - Fail: the date is described as "around" a month, or as "when the paperwork clears".
   - Note: the value applies to one day. A date that is wrong by even a few weeks can produce a value for the wrong day.
6. **State the units converting, the units the IRA holds and the units outstanding.**

- Pass: three numbers are written down. These are the units converting, the total units held in the traditional IRA before conversion and the total units the company has outstanding, each with its class.
- Fail: the reader gives only a percentage, or only a dollar amount.
- Note: these three numbers let the appraiser check the percentage independently.

7. **Name the people involved.**
   - Pass: the reader lists the IRA owner, the CPA or tax adviser, the company contact for records and the custodian contact.
   - Fail: no company contact is named, so record requests stall.
   - Note: the company contact is often a different person from the IRA owner, especially when the IRA holds a minority interest.
8. **Read the custodian's form for any requirements about the valuer.**
   - Pass: the reader notes any qualifications, signature formats or independence statements the custodian's form asks for.
   - Fail: the form is filed unread until the report is finished.
   - Note: knowing these requirements in advance keeps the custodian's form from being completed twice.

Clients request an appraisal from AppraiseItNow online and receive a fixed-fee quote before any work begins; AppraiseItNow does not bill hourly. A complete pre-order checklist gives the quote an accurate scope.

Document checklist for the custodian form, the units and the company records

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.

AppraiseItNow collects what the appraiser needs before the appraisal starts, and asks only for what the appraiser needs. The lists below are grouped by who usually holds each document.

Documents the custodian holds

1. **The custodian's valuation form, blank and current.**
   - Pass: the form carries a revision date or version marking, or the custodian has confirmed by email that it is current.

- Fail: the form has been partly filled in by hand with information that has not been checked.
- Note: the custodian decides what it requires, so the reader keeps a clean copy of the form as the custodian issued it.

2. **The most recent statement for the traditional IRA.**
   - Pass: the statement shows the FBO title, the account number and the company units held, listed by name and number.
   - Fail: the statement shows only a dollar figure with no unit count.
   - Note: many statements list a private holding at a prior reported value. That figure is history, not a current value.
3. **Any prior valuation the custodian holds for these units.**
   - Pass: the reader has a copy, or has confirmed that none exists.
   - Fail: the reader knows a prior value was reported but has no copy.
   - Note: a prior report helps the appraiser understand earlier assumptions. It does not set the new value.

Documents the company holds

1. **Financial statements or tax returns up to the conversion date.**
   - Pass: the reader has annual statements or returns for the recent years, plus interim statements running as close to the conversion date as the company produces them.
   - Fail: the most recent figures end well before the conversion date, and no interim figures are supplied.
   - Note: the value is set as of the conversion date. Figures that stop far short of it leave a gap the appraiser has to address.
2. **The company agreement.**
   - Pass: the reader has the operating agreement, partnership agreement or shareholder agreement, with all amendments.
   - Fail: the amendments are missing, or only a summary is supplied.
   - Note: transfer restrictions, voting rights and distribution terms affect what a buyer would pay for the units.
3. **Past appraisals or offers.**
   - Pass: the reader has copies of any earlier appraisals, letters of intent or written offers for the company or its units, or has confirmed that none exist.
   - Fail: the reader mentions an offer verbally but supplies no document.

- Note: these documents are optional, but they help.

Ownership and unit records

The ownership percentage is the most frequent source of error. The reader reconciles it across every source before sending documents.

Source	What it shows	Pass test
Company unit ledger or cap table	Units outstanding by class and holder	The IRA's FBO title appears as the holder of record
Company agreement schedule	Members or partners and their percentages	The percentage matches the ledger's unit count
Custodian statement	Units held in the traditional IRA	The unit count matches the ledger
Conversion instruction	Units moving to the Roth IRA	The units converting are no more than the units held
Most recent company tax return ownership schedule	Each holder's reported percentage	The percentage matches the ledger, or the difference is explained in writing

- Pass: every row agrees, or each disagreement has a written explanation, such as a later issuance of units.
- Fail: two sources disagree and no one has explained why.
- Note: a common error is to describe the units converting as a share of the IRA's holding instead of a share of the whole company. The appraiser needs both, labeled.

Photo and scan checklist for custodian forms, unit records and company premises

Most AppraiseItNow appraisals are completed remotely from photographs and documents; when an inspection is needed, an appraiser visits the asset in person. For a company interest, the "photographs" are mostly clear images or scans of paper records. When the company's value rests on tangible assets, they can also include images of those assets.

Images of records

1. **Capture every page of the custodian's form, including blank pages.**
    - Pass: the page count of the images matches the page count printed on the form.
    - Fail: the signature page or the instructions page is missing.
    - Note: instruction pages may carry the custodian's return address and its signature format.

2. **Make every figure and name legible at normal zoom.**
    - Pass: the account numbers, unit counts and dates can be read without enlarging the image.
    - Fail: there is glare, shadow, a cropped edge or blur over any number.
    - Note: a scan to PDF is preferred over a phone photo for multi-page records.
3. **Capture unit certificates or ledger pages front and back where anything is written on the back.**
    - Pass: transfer legends, endorsements and restriction notices are visible.
    - Fail: only the front of a certificate is captured.
    - Note: restriction legends are part of what is being valued.
4. **Keep signatures and dates visible on the company agreement and its amendments.**
    - Pass: each signature block and effective date is in the image.
    - Fail: signature pages are cropped or skipped.
    - Note: unsigned drafts are labeled as drafts, so that no one treats them as the operative agreement.
5. **Name each file by what it is.**
    - Pass: file names follow a pattern such as "Custodian-form-traditional-IRA.pdf" or "Unit-ledger-2026.pdf".
    - Fail: files carry camera-default names.
    - Note: descriptive names keep the document list and the file set in step with each other.

Images of company premises and assets

1. **Photograph material tangible assets when the company's value depends on them.**
    - Pass: there is an overview image plus close images of identification plates for major equipment or inventory areas, with a short caption for each.
    - Fail: there are no captions, or the images show assets the company does not own.
    - Note: AppraiseItNow's appraisers specialize by asset class rather than by geography. Captioned images help the business valuation appraiser judge whether the company's balance sheet reflects its operating assets.
2. **Date the photographs.**
    - Pass: each caption states the date the image was taken.

- Fail: the images are undated, or were taken long after the conversion date with no note of when.
- Note: the appraiser needs to know whether an image shows the company as it was on the conversion date.

Conversion date, December 31 value and filing date checklist

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.

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. That definition comes from the appraisal standards (USPAP, 2024 edition).

Steps for the conversion date

1. **Match the effective date to the conversion date.**
   - Pass: the effective date in the report is the same day the custodian records as the conversion date.
   - Fail: the effective date is the report date, a month-end chosen for convenience or the date of the latest financial statements.
   - Note: the report date and the effective date are two separate entries, and both appear in the report.
2. **Confirm that the conversion date did not move.**
   - Pass: the reader rechecks with the custodian after the conversion is processed and confirms that the date is unchanged.
   - Fail: a planned date was used and the actual processing date was never confirmed.
   - Note: if the date changes after the report is prepared, the reader tells the appraiser at once.
3. **Identify any fact that was uncertain on the conversion date.**
   - Pass: the reader lists any open item, such as a pending unit issuance or an unsigned amendment, and gives it to the appraiser.
   - Fail: the reader knows of an open item but does not mention it.
   - Note: 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. That condition comes from the appraisal standards (USPAP, 2024 edition).

Steps for the December 31 value

1. **Ask the custodian whether it needs a December 31 value for the units.**
   - Pass: the reader has a written answer that names the accounts and the year.
   - Fail: the reader assumes the conversion-date valuation also serves as the year-end value.
   - Note: the conversion-date report answers the conversion date only.
2. **Track which units sit in which account on December 31.**
   - Pass: the reader can state the units in the traditional IRA and the units in the Roth IRA as of December 31.
   - Fail: the year-end split between accounts is unknown.
   - Note: after a partial conversion, units sit in both accounts.

Worked example: a partial conversion of LLC units (hypothetical)

In this hypothetical, an IRA owner's traditional IRA holds 2,400 Class A membership units of a distribution LLC. The LLC has 20,000 Class A units outstanding, so the IRA's holding is 12 percent of the class. The owner converts 800 units to a Roth IRA at the same custodian. The custodian confirms the conversion date as September 14, 2026.

1. The units converting are 800 of 20,000, which is 4 percent of the class. They are also 800 of the IRA's 2,400, which is one-third of the IRA's holding. The pre-order sheet states both figures, each labeled. A draft that described the converting block as "12 percent" would fail the ownership reconciliation step.
2. The appraisal's effective date is September 14, 2026. Its report date is the later day the report is signed.
3. In this hypothetical, the appraiser concludes a fair market value for the 800 units as of September 14, 2026. The custodian reports the conversion on Form 1099-R. The owner's CPA determines whether any after-tax basis applies. The appraiser does not.
4. On December 31, 2026, the traditional IRA holds 1,600 units and the Roth IRA holds 800 units. The owner asks the custodian, in writing, whether it needs a valuation of the units as of December 31, 2026 for its Form 5498 reporting. The September report is not used as a December 31 figure unless the custodian says it accepts it for that purpose.

When the same company interest appears on another tax filing

Business owners sometimes convert units in the same year that they give, bequeath or donate other units of the same company. Each filing has its own valuation date, and one report does not serve two dates.

Filing	Valuation date as stated in the rules
Form 709 gift	A gift is valued at its fair market value on the date of the gift. (Treas. Reg. § 25.2512-1)
Form 706 estate	Estate assets are valued at fair market value on the date of death. (Treas. Reg. § 20.2031-1)
Form 1099-R Roth conversion	The fair market value of the converted assets on the conversion date. (Treas. Reg. § 1.408A-4)

For an estate, 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. That election is governed by the alternate valuation regulation (Treas. Reg. § 20.2032-1).

For a gift made in the conversion year, the filing date is fixed. 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. Those figures appear in the gift tax return instructions (Instructions for Form 709 (2025)).

For a donation of company units, the rule is equally specific. 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. That rule appears in the substantiation regulation (Treas. Reg. § 1.170A-16). The donor's tax adviser decides how any deduction is treated.

- Pass: each filing that involves the company's units has its own valuation date written beside it.
- Fail: one report is planned for two filings with different dates.
- Note: the units, the percentage and the company records can be shared across reports. The effective dates cannot.

Final review checklist before the valuation goes to the custodian

This section is the last pass. The IRA owner and the CPA complete it together, with the finished report and the completed custodian form side by side.

Identity and account checks

1. **The FBO titles in the report match the custodian's statement.**
    - Pass: there is a character-for-character match for both the traditional IRA and the Roth IRA.

- Fail: there is any abbreviation, missing word or transposed name.
- Note: the FBO title is the account's legal title, so any difference from the statement is corrected before the report is sent.

2. **The account numbers match.**
   - Pass: both numbers appear and are labeled correctly.
   - Fail: the numbers are swapped between the traditional and Roth accounts.
   - Note: swapped numbers are easy to miss in a quick review, so the reader checks this step against the statement.

Units and ownership checks

1. **The units valued equal the units converting.**
   - Pass: the report values exactly the number and class of units in the conversion instruction.
   - Fail: the report values the IRA's whole holding when only part of it converted, or the reverse.
   - Note: this is the most consequential single check in the manual.
2. **The percentage is stated against the right total.**
   - Pass: the report states the converting units as a percentage of units outstanding, and the reader agrees with that figure.
   - Fail: the percentage reflects the share of the IRA's holding, or uses an outdated outstanding-unit count.
   - Note: the ownership percentage is the fact most often wrong.
3. **The company agreement in the report is the operative version.**
   - Pass: the report cites the agreement and the amendments in effect on the conversion date.
   - Fail: the report relies on a superseded draft.
   - Note: amendments made after the conversion date are flagged rather than silently applied.

Date checks

1. **The effective date equals the conversion date.**
   - Pass: the two dates are the same day.
   - Fail: they differ by any amount.
   - Note: the conversion date is the date the value is reported against.
2. **Both the effective date and the report date appear.**

- Pass: the report shows two clearly labeled dates.
- Fail: only one date appears.
- Note: the appraisal standards call for both dates.

3. **Any extraordinary assumption is stated plainly.**
   - Pass: the report names the assumption and explains it.
   - Fail: the reader knows of an uncertain fact that the report does not mention.
   - Note: the report must say so clearly, and the CPA reviews the assumption before the report is used.

Custodian form and reporting checks

1. **Every field on the custodian's form is completed as the form directs.**
   - Pass: there are no blank fields, and signatures and dates match the format the custodian's form requires.
   - Fail: a field is left blank or marked "see report" where the form asks for a figure.
   - Note: the custodian sets its own requirements, so the form's own instructions control.
2. **The value on the custodian form equals the value in the report.**
   - Pass: the two figures are identical, to the dollar.
   - Fail: the form shows a rounded or per-unit figure without the total, or the reverse.
   - Note: if the form asks for a per-unit value, the reader confirms that the per-unit value multiplied by the units converting equals the report's total.
3. **The CPA has noted how the value feeds Form 1099-R.**
   - Pass: the CPA's file records the conversion-date value and any after-tax basis the CPA has determined.
   - Fail: the after-tax basis question has not been asked.
   - Note: the appraiser supplies the fair market value. The basis is the tax adviser's determination.
4. **The December 31 question is closed.**
   - Pass: the custodian has answered, in writing, whether it needs a year-end valuation for Form 5498 boxes 15a and 15b.
   - Fail: the question is still open as year-end approaches.
   - Note: the conversion-date report does not answer this question automatically.

Review questions for the owner and CPA

The reader answers each question in one line. Any answer of "not sure" sends the reader back to the step named in brackets.

1. What is the exact FBO title of the receiving Roth IRA? [Pre-order step 2]
2. How many units converted, of which class, and what percentage of all units outstanding is that? [Ownership and unit records]
3. On what single day does the appraised value apply, and does the custodian's record show the same day? [Conversion date steps]
4. Does the report state both an effective date and a report date? [Date checks]
5. Has the custodian said whether it needs a separate December 31 value? [December 31 steps]
6. Who has determined whether any after-tax basis applies? [Custodian form and reporting checks]
7. Are any other filings this year using the same company's units, and does each have its own valuation date? [Other tax filings table]

Between them, AppraiseItNow's appraisers hold ASA, ISA, AAA, CAGA, NACVA, NEBB Institute, ABV and CFA credentials. A reader who reaches the end of this section with every step marked "pass" has a report and a custodian form that agree with each other, with the custodian's records and with the company's own unit ledger.