

Tax Management

Estate and Gift Tax Valuations

Gifting of interests in a company, or other asset type, can be a way of minimizing tax on the transfer of wealth. Gifts and transactions between related parties can be scrutinized by the IRS, state and other authorities. Regardless of the type of transaction, a thoroughly conducted and documented valuation completed with meticulous due diligence is beneficial in maximizing the integrity of an appraisal and minimizing scrutiny. Gordon Brothers has the capabilities and expertise to value all types of equity interests.

What are the reporting requirements?

Stock transfers (or other types of assets) over the annual exclusion amount must be reported on Form 709 gift-tax return. Separate from these annual gifts, individuals can currently (2020) transfer up to \$11.58 million tax-free during a lifetime. Stock transfers, or gifts of other assets, made above the federal annual maximum (\$15,000) can be applied to this lifetime exemption each year. A valuation is important for documenting the value of any significant asset transfer as well as for managing estate settlement issues.

How are shares valued accurately?

It can be difficult to determine the fair market value of assets such as stock or partnership interests as of the date of transfer, particularly of closely-held firms. Regardless of whether gift or estate tax is due or not, it is important to retain documentation that is acceptable to the IRS regarding the gifted or transferred assets' appraised value to avoid potential future tax penalties.

From a valuation perspective, the relative level of interest being transferred is critical in determining the potential impacts of discounts for lack of control and lack of marketability. A valuation expert is needed to provide a qualified third-party opinion of the discounts for lack of control and marketability related to the specific interest being valued. Gordon Brothers has extensive experience in valuing interests in privately held companies, and our work has been IRS reviewed.

Protect yourself from unnecessary tax exposure

Gifting interest in a company can be a key component of maximizing inter-family wealth. Documenting these and other transactions with independent valuations that contain the information that the IRS and other authorities require can give you confidence that you are not exposing yourself or your family to future tax liabilities.

