Appraise Assets for Tax Gifting Purposes

By Joseph M. Donegan on October 12, 2012

Many families and small business owners are moving quickly to transfer assets to loved ones while favorable tax rates are still in effect. However, those who fail to appraise gifted assets may face tax consequences if items were improperly valued.

A recent Reuters report noted that appraisers have seen a spike in business in recent months as businesses and wealthy individuals seek out services in preparation of the lucrative gift tax exemption expiring at the end of the year. The current lifetime gift exclusion of $5.12 million – or $10.24 million for married couples filing jointly – is expected to revert back to $1 million in 2013. Further, estate taxes on any amount that exceeds that limitation will be taxed at a 55 percent top rate in 2013, as opposed to the current 35 percent.

In a down economy where many small businesses are struggling, more family-owned entities are paying closer attention to federal tax law changes as they focus on estate planning and carrying on the legacy of their businesses. In having real estate and other assets appraised, these companies are trying to avoid tax issues that may arise from placing inaccurate values on these gifts.

Industry professionals say the surge in appraisal applications has only just begun, as many businesses and wealthy individuals may still be enjoying extended vacations. However, those who plan on securing appraisal services are encouraged to do so as soon as possible, namely to ensure that they hire a professional who falls in line with IRS appraisal requirements.

At present, the federal tax agency requires that appraisers be certified by the American Academy of Appraisers and pass a variety of tests in order for their assessments to be valid. For this reason, planning ahead and working with the appropriate professionals can give businesses enough time to plan accordingly.