



# Gifts Made Easy

By Susan Koss and Matthew Rizzo

Hiring a certified expert to value your business prior to a gift of stock is a smart move that could save you a significant amount of money. A certified expert is a professional that carries an accreditation in business valuation. Two nationally recognized certifications are Accredited in Business Valuation (ABV) and Certified Valuation Analyst (CVA). Hiring an ABV or CVA ensures the professional understands all valuation methods intimately and is aware of the accounting, finance and economic implications of each method. Unlike brokers or CPAs who are not certified, ABVs and CVAs have the appropriate training and experience in valuation methodology and technique.

Having a certified valuation expert on your side is critically important for IRS representation and approval. Many CVAs and ABVs have experience dealing with the IRS on gift tax matters to ensure their valuation is upheld. Using a valuator without the appropriate experience and training is dangerous because if the IRS doesn't agree with your valuation due to poor methodology or aggressive assumptions, you could be subject to steep penalties and interest. If your valuation is disregarded by the IRS, they will prepare their own valuation as a basis for you to pay additional taxes.

While business valuations are not an exact science, there is an inherent right and wrong

way to value a company. CVAs and ABVs are highly experienced at analyzing and calculating different types of earnings multipliers and divisors and valuation discounts based upon certain assumptions. These assumptions are critical to the value calculation and must be carefully analyzed. A small error in economic assumptions can multiply into a much larger impact on the value. If your business is undervalued by such a mistake, you could be subject to accrued underpayment penalties and interest.

Hiring a certified valuation expert is not cheap, however, the amount spent may likely save a significant amount of taxes. Hiring someone that is not qualified could do just the opposite. To sum it up, there is a saying, "if you think it's expensive hiring a professional, just wait until you hire an amateur." Don't wait to find out the hard way.

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