



Gift & Estate Tax Valuations

IRS Form 709 & Form 706 | Accredited Business Appraisals by IntelEK

When you transfer business interests – through a lifetime gift or at death – the IRS requires a defensible determination of Fair Market Value. IntelEK's accredited appraisers deliver IRS-compliant, qualified appraisals built specifically to protect your family, your legacy, and your filing.

[INTELEKBUSINESSVALUATIONS.COM](https://www.intelekbusinessvaluations.com)

Why Compliance Valuations Matter

Every transfer of a business interest — whether gifted during your lifetime or passing through your estate — triggers an IRS reporting obligation. The value you report on **Form 709** (Gift Tax Return) or **Form 706** (Estate Tax Return) directly determines tax owed, how much of your lifetime exemption is consumed, and whether your filing can withstand IRS scrutiny.

Undervaluation Risk

Penalties, interest, and potential fraud allegations from the IRS — a costly outcome that undermines your entire plan.

Overvaluation Risk

Your estate or beneficiaries overpay federal tax — transferring wealth unnecessarily to the government instead of your heirs.

The Solution

An accredited business appraiser with deep IRS compliance expertise is the single most important safeguard for your legacy.

IRS FORM 709

Gift Tax Valuations — Form 709

Form 709 (United States Gift and Generation-Skipping Transfer Tax Return) must be filed whenever a donor makes a reportable gift — including transfers of privately held business interests — that exceeds the **annual gift tax exclusion of \$19,000 per recipient (2026)** or that does not qualify as a present interest.

Privately held businesses carry no quoted market price. When shares, membership interests, or partnership units are gifted to family members or trusts, the IRS requires a **qualified appraisal** to establish Fair Market Value at the exact date of transfer. That appraised value appears on Form 709 and counts against the donor's lifetime exemption — **\$15 million per individual / \$30 million for married couples in 2026**.

Key Valuation Considerations for Gift Tax

Fair Market Value Standard

The price at which property would change hands between a willing buyer and willing seller – neither under compulsion, both with reasonable knowledge of relevant facts.

Revenue Ruling 59-60 Factors

Nature and history of the business, financial condition, earnings capacity, industry outlook, and the specific rights attached to the interest being transferred.

Valuation Discounts

Minority interest discounts, lack of marketability discounts (DLOM), and key person discounts can materially reduce the reported gift value – stretching your exemption further.

Present vs. Future Interest

Gifts of business interests transferred into trusts are often treated as future interests that do not qualify for the annual exclusion. The valuation must account for the specific rights attached.



Adequate Disclosure & Statute of Limitations

A properly prepared valuation report is the cornerstone of **adequate disclosure** on Form 709. When the gift is reported with a clear description of the interest transferred, the parties involved, the valuation methodology, and supporting financial data, the IRS's window to challenge the gift is limited to **three years from filing**.

📄 ⚠️ **Critical Warning:** Without adequate disclosure, the statute of limitations never starts — leaving the gift permanently open to IRS challenge, including years after the donor's death. A qualified appraisal is your shield.

IRS FORM 706

Estate Tax Valuations — Form 706

Form 706 (United States Estate and Generation-Skipping Transfer Tax Return) is filed by the executor of a decedent's estate to report the fair market value of all estate assets — including business interests — and to calculate the estate tax liability.

If the decedent owned interests in a privately held business, a **qualified appraisal** is required to complete Schedule F (and potentially other schedules) of Form 706. The valuation must reflect Fair Market Value as of the **exact date of death** — or the alternate valuation date, six months later, if elected under §2032.



2026 Estate Tax Thresholds & Rates

For 2026, the federal estate tax exemption has been permanently increased under the **One Big Beautiful Bill Act of 2025**. Estates valued above the threshold face a federal estate tax rate of **up to 40%** – making an accurate, defensible business valuation one of the highest-value steps your estate plan can take.

- \$15 million exemption per individual
- \$30 million exemption for married couples
- Up to 40% federal tax rate on excess value
- Accurate valuation prevents both overpayment and underpayment

\$15M

Individual Exemption

Per taxpayer in 2026

40%

Max Tax Rate

On taxable estate above
threshold

\$30M

Married Couples

Combined exemption (2026)

Step-Up in Basis: A Critical Planning Tool

A precise date-of-death valuation does more than determine estate tax – it sets the "**stepped-up**" **cost basis** for inherited business interests. Heirs who inherit at the established value can potentially eliminate years of accumulated capital gains if they later sell.

In the post-OBBA landscape, many estates fall below the \$15M threshold but still benefit enormously from establishing the **highest defensible value** – making step-up planning a central consideration even for estates that owe no estate tax.

Higher Defensible Value

Heirs inherit at the appraised value, resetting their capital gains clock to zero at that price point.

Tax Savings on Future Sale

Capital gains accumulated over decades by the decedent are permanently eliminated – a substantial benefit for heirs.

Post-OBBA Relevance

Even sub-threshold estates benefit from a qualified valuation to lock in the highest supportable stepped-up basis.

Key Valuation Considerations for Estate Tax

1

Date of Death Valuation

Fair Market Value anchored to the precise date of death per §20.2031-1, using market conditions, comparable transactions, and economic data relevant to that date.

2

Qualified Appraisal Requirements

Report prepared by a credentialed appraiser (ABV, ASA, or CVA), using at least two recognized valuation approaches with a detailed economic outlook section.

3

Valuation Discounts

Minority, marketability, and key person discounts reduce the taxable value. These are highly scrutinized by the IRS and must be substantiated with peer-reviewed research.

4

Portability Considerations

Even when a surviving spouse "ports" the deceased's unused exemption, a valuation at first death is necessary to establish the exemption amount and step-up in basis.

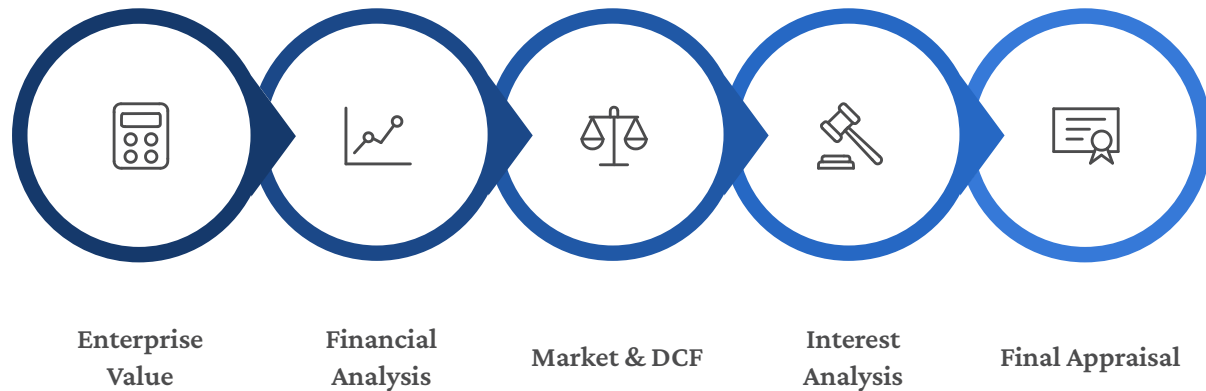
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Life Insurance (Connelly v. U.S.)

Insurance proceeds held within the business to redeem a deceased owner's shares are treated as a corporate asset – increasing total value and potentially creating an unexpected estate tax bill.

InteleK's Compliance Valuation Approach

Our accredited appraisers bring deep IRS compliance experience to every gift and estate tax engagement. Every report is built to withstand IRS examination – from methodology transparency to discount substantiation.



Our proven two-phase approach first establishes enterprise value, then carefully analyzes the specific interest being transferred – applying discounts grounded in the economic reality of each unique case.



What Sets InteleK's Process Apart



IRS-Qualified Appraisals

Every report satisfies IRS "Qualified Appraisal" criteria under the Internal Revenue Code – including full scope explanation, methodology transparency, certification language, and independence affirmation.



Revenue Ruling 59-60 Framework

We rigorously apply all required factors: business history, financial condition, earnings capacity, dividend-paying capacity, intangible asset value, industry outlook, and prior transactions in the company's stock.



Multiple Valuation Approaches

We employ at least two recognized methods – typically Income/DCF and Market – clearly explaining selection rationale and weighting to meet IRS expectations for methodological rigor.



Defensible Discounts

Discount analysis is customized to the specific case facts and substantiated with peer-reviewed research literature. Every assumption is documented so conclusions can withstand IRS examination.



Collaboration With Your Advisory Team

InteleK doesn't work in isolation – we work **alongside your advisory team** to ensure the valuation integrates seamlessly into the overall estate plan and tax filing strategy.

→ **Estate Planning Attorneys**

We coordinate with legal counsel to ensure the valuation supports trust structures, buy-sell agreements, and transfer documentation.

→ **CPAs & Tax Advisors**

Our reports are structured to integrate directly with Form 709 and Form 706 filings – reducing friction for the tax preparer and improving filing defensibility.

→ **Financial Advisors & Fiduciaries**

We provide the independent, accredited valuation opinion that corporate trustees, family offices, and financial planners require for compliance and reporting purposes.

Meet IntelleK's Leaders

IntelleK's valuation specialists hold the most rigorous credentials in the business appraisal profession — CFA, ABV, CPA — and bring a combined depth of IRS compliance experience that few firms can match.



Andrew Mackson, CFA, ABV
Co-Founder & Partner

Andrew leads IntelleK's compliance valuation practice with deep expertise in IRS Form 709 and 706 engagements for high-net-worth families and their advisors.



Cameron Braid, MBA
Co-Founder & Partner

Cameron brings extensive financial modeling and M&A experience to IntelleK's valuation engagements, ensuring rigorous analytical foundations for every report.



Ryan Maguire, CPA, ABV
Director of Business Valuations

Ryan oversees the technical execution of all compliance valuation engagements, with specialized expertise in estate tax discounts and qualified appraisal standards.

Gift & Estate Tax Compliance: Key FAQs

Expert insights into IRS Form 709 & 706 business valuation requirements for 2026.

When is a valuation required for Form 709?

Any transfer of a privately held business interest – shares, membership units, or partnership interests – that exceeds the \$19,000 annual exclusion or does not qualify as a present interest requires a qualified appraisal.

What happens if the IRS finds my valuation inaccurate?

Substantial valuation misstatements can trigger penalties of 20%–40% of the underpayment, in addition to back taxes and interest. Fraud allegations in egregious cases can extend the statute of limitations indefinitely.

What is a "Qualified Appraisal"?

A report prepared by a credentialed, independent appraiser (ABV, ASA, or CVA) that meets specific IRS criteria under IRC §170(f)(11) – including methodology disclosure, certification language, and intended use statement.

How do discounts affect my filing?

Minority interest and DLOM discounts can reduce the reported value by 20%–40% or more – allowing you to transfer a greater percentage of your business while consuming less of your lifetime exemption.

Can the same valuation serve both Forms 709 and 706?

Generally no. Each filing requires a valuation anchored to the specific transfer date. A gift tax valuation reflects the date of transfer; an estate tax valuation reflects the date of death – often years apart.

How long does a compliance valuation take?

A standard IRS-compliant engagement typically requires 3–5 weeks from document receipt to final report delivery, depending on business complexity and the scope of financial data available.

 General information only. IntelK Business Valuations & Advisory recommends obtaining professional legal and tax advice for all gift and estate tax matters.

Book a Free Consultation with InteleK

One of InteleK's accredited appraisers is available to hear your story, evaluate your specific situation, and answer any questions you have about gift and estate tax compliance valuations. There is no obligation – just expert guidance from professionals who do this every day.



Andrew Mackson, CFA, ABV

Co-Founder & Partner – IRS Form 709 & 706 compliance valuations for high-net-worth families and their advisors.

[Book Appointment with Andrew](#)



Ryan Maguire, CPA, ABV

Director of Business Valuations – Specialized expertise in estate tax discounts, step-up in basis analysis, and qualified appraisal standards.

[Book Appointment with Ryan](#)

Have questions before booking? [Chat with our AI Valuation Agent](#) for immediate answers to common Form 709 & 706 compliance questions.

