

Why Do You Need A Business Valuation?

What is Valuation?

The basic concept of valuation is to determine a justifiable dollar value or price for a total or partial interest in your closely held business. It is the process of answering the question, "How much is my closely held business worth?" Business valuation plays a critical role in determining gift and estate tax liabilities and/or the appropriate selling price for an interest. Because valuing a business is so important, you should be very careful when selecting an appraiser.

When a Valuation Might Be Needed

- To prepare for asset distribution in divorce
- To determine capital gains
- For the sale of business to family member
- For the sale of business to outsider
- When transferring a business under buy-sell agreement
- When transferring interest by gift
- For estate tax purposes

Business Valuation Is A Key Component To Estate, Divorce, or Succession Planning

Business valuation is a critical component to your estate or business succession planning. When dividing assets in a divorce, a valuation is imperative to ensure both parties receive a fair distribution of the business value. Your business may be your largest asset and if you plan to engage in any of these planning scenarios, at some point you will need to determine the taxable value of your business interest. An incorrect value (i.e. one that is underestimated) could cause you to miss out on tax-saving strategies, while a value that is inflated could result in an investment of time and money in unnecessary planning.

Your Tax Liability Depends On It

Perhaps a key reason to be concerned about the taxable value of your business is the Internal Revenue Service (IRS), which is always on the lookout for sales below and even above fair market value. The value applied to your business bears an important and direct relationship to the amount of tax you will owe, whether it be capital gains tax resulting from a sale, gift tax on shares you have given away, or estate tax on property you own at your death. If the value determined by the IRS is different than the value your tax was calculated on, you (or your estate) could be liable for additional tax.

Find A Qualified Appraiser

Determining the value of your business is not something you should attempt on your own, especially in light of the fact that the IRS could challenge your valuation. Do not use an old appraisal. Time can change the factors that go into the appraisal calculation. SVA's valuation experts can help you through the valuation process.

Source: Broadridge Investor Communication Solutions, Inc.

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