

Valuing Estate Assets

The value at which assets are included in a decedent's gross estate for estate tax purposes is their fair market value -- what a willing buyer would pay a willing seller -- on the selected valuation date (the date of death or the alternate valuation date, which is six months after the date of death). Let's take a look at how fair market value is determined for different types of estate assets.

Estate Asset	Asset Valuation	Source
Real Estate	Fair market value (what a willing buyer would pay a willing seller) on the applicable valuation date; a professional appraisal may be advisable.	Reg. Sec. 20.2031-1(b)
Listed Securities (stocks & bonds)	Arithmetical mean between the highest and lowest quoted selling prices on the applicable valuation date.	Reg. Sec. 20.2031-2(b)(1)
Close Corporation Stock	Based on an analysis of all relevant factors which contribute to the value of stock (i.e., nature and history of business, economic outlook, earning and dividend-paying capacity, good will, recent sales of the stock and market price of stock in similar corporations); professional appraisal may be needed; purchase price defined in a binding buy-sell agreement will be the value for estate tax purposes, if certain conditions are met.	Rev. Rul. 59-60, 1959-1 C.B. 237
Mutual Fund Shares	Valued at their "bid" price (what the fund would pay the shareholder) on the applicable valuation date.	Reg. Sec. 20.2031-8(b)
Proprietorships and Partnerships	Based on an appraisal of the tangible and intangible (i.e., good will) assets and demonstrated earning capacity of the business to arrive at fair market value; purchase price defined in a binding buy-sell agreement will be the value for estate tax purposes, if certain conditions are met.	Rev. Rul. 68-609, 1968-2 C.B. 327 Reg. Sec. 20.2031-3
Notes	Equal to the unpaid principal plus accrued interest, unless a lower value can be demonstrated.	Reg. Sec. 20.2031-4
Valuables	Such as art, jewelry and antiques; valued at fair market value; generally requires an expert appraisal.	Reg. Sec. 20.2031-6(b)
Survivor Annuity	Equal to the cost of a comparable single life annuity issued to the survivor on the applicable valuation date.	Reg. Sec. 20.2031-7
Life Insurance Proceeds	<u>On decedent's life:</u> Proceeds received by the estate or by a named beneficiary if the insured held any incidents of ownership in the policy. <u>Owned by decedent on another's life:</u> Amount a comparable contract could be purchased for at the time of death.	Reg. Sec. 20.2042-1 Reg. Sec. 20.2031-8
Joint Tenancy Property	<u>Spouses:</u> One-half of the value of joint tenancy property is included in the estate of the first spouse to die. <u>Non-Spouses:</u> Value of the entire joint tenancy property less the consideration (purchase price) furnished by the survivor is included in the estate of the first joint tenant to die.	I.R.C. Sect. 2040(b) I.R.C. Sect. 2040(a)