

IPA's BusinessToday

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March 2006



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On January 16, 1972, 81,023 people watched from the stands at Tulane Stadium in New Orleans, Louisiana, as the Dallas Cowboys took their revenge on the Miami Dolphins in Super Bowl VI. With a 24-3 victory, Dallas earned its first Super Bowl title and leading the charge was Roger Staubach, quarterback and the game's Most Valuable Player. Without his completion of 12 of 19 passes for 119 yards and 2 touchdowns and his offensive guidance, the Dallas Cowboys may have never won the Super Bowl that year.

The quarterback is the player in charge of running the offense on the field. Essentially, the quarterback informs the offense of the play, i.e. what the offensive team must do to achieve the entire team's goal—win the game.

Much like Staubach's quarterback role in Super Bowl VI, business valuation is the most valuable element in a business owner's exit strategy plan. A business valuation determines the value of a business enterprise or ownership interest, and as "quarterback," the valuation informs the business owner of his or her company's worth and what "play" to make to achieve the exit plan goals.

Over the last decade, the demand for business valuation services has grown immensely. According to surveys conducted by Accounting Today of the top 100 CPA firms, business valuation is one of the fastest growing niche services. In 2002, 78 percent of the firms surveyed reported that business valuation was their fastest growing niche service. That number dropped by a mere 1% in Accounting Today's 2003 survey, yet business valuation remained in the number one spot. First-time clients accounted for nearly 50% of all new business in 2003 for business valuation members of the American Society of Appraisers (ASA), according to a 2003 ASA member survey. The National Association of Certified Valuation Analysts (NACVA) has grown from its two original co-founders in 1991 to an average membership of 5,500 of which 127 are IRS valuers certified through NACVA. As these surveys indicate, business valuation is growing increasingly in recognition and importance.

Some of the growing attention to business valuation can be attributed to the Sarbanes-Oxley Act, the 2002 law that governs public companies' financial reporting, and restricts non-audit work accounting firms can perform for public company audit clients. For private companies, however, demographics are playing a significant part in business valuation demand. Baby boomers coming of retirement age who own their own successful business and require succession and estate planning are fueling business valuation demand. Another reason is the increasing sophistication and tax structuring of business purchases, where both the buyer and seller request an unbiased third-party opinion of value. Furthermore, buy-sell agreements, financial plans and estate plans cannot be written and applied successfully without a business valuation assessment of the owner's total business worth.

A business valuation expert will, at a minimum, belong to one of the five professional valuation organizations, and as a member he or she is required to abide by professional valuation standards and practices. Gaining accreditation from one of the organizations takes the valuator's commitment to the valuation profession that much further and business owners would be wise to seek out only accredited, experienced professionals. The National Association of Certified Valuation Analysts (NACVA), American Institute of Certified Public Accountants (AICPA), American Society of Appraisers (ASA), Institute of Business Appraisers (IBA) and the Canadian Institute of Chartered Business Valuators (CICBV) all offer accreditation programs although each has their own particular report writing standards.

The valuation engagement defines the role of the valuation professional. For example, litigious matters, such as divorce, wrongful death/injury, dissenting owners, and taxation require a third-party, unbiased opinion of value. This is considered engaging an expert and differs greatly from matters of advocacy.

Professionals who serve as advocates for their clients are termed consultants. Consultants provide advice for matters involving merger, acquisition or purchase/sale of a business enterprise or interest. There is a clear distinction between the two roles and professionals who sense the engagement is somewhere in the gray middle should either set clear, defined expectation boundaries or decline the project entirely.

Nonetheless, engaging an experienced, accredited valuator provides a level of inoculation, especially with estate tax matters and related ownership transfers. The vast majority of IRS challenges focus on disputing a taxpayer's valuation of the business assets. Aside from issues involving the legality of the estate plan itself, the IRS would only have concerns regarding the amount of tax owed on the transferred asset. If such a dispute arises and progresses to litigation, the result is determined after a "battle of the experts."

The taxpayer should not rely on an accountant or on someone else who is not qualified as an appraiser to value a business interest. The taxpayer, most often, has the burden of presenting credible evidence in order to prove the value reported. An opinion of value presented from a qualified, credentialed appraiser many times wards off an IRS dispute or unrealistic valuation claim.

When faced with a taxpayer valuation based on the opinion of an experienced, independent appraiser, the IRS must hire an equally qualified representative to counter the opinion of the taxpayer's professional. The IRS' hired representative must also be able to produce an opinion of value different enough to generate a tax revenue advantage and justify IRS expenditures as a result of the dispute. This cost/benefit analysis can and should work to the advantage of the taxpayers who use timely, well-reasoned valuations.

Hiring an accredited, experienced valuation professional is also a preventative against gift and estate tax challenges. There is a three-year statute of limitations on gift transfers; this applies in the estate tax context as well. Upon the death of a donor, the IRS can go back only three years in examining prior gifts; however, the gift must be adequately valued and disclosed (as defined by the IRS, Reg. §301.6501(c)-1(f)(2)). The statute of limitation does not apply for gifts that are not adequately valued and disclosed,

including and especially at the time of a donor's death. Therefore, the experienced business valuation professional creates a safe harbor for those gifts made more than three years ago.

A business valuation provides business owners the benefit of planning an exit strategy and mapping a course of action for both premeditated and untimely life events. In short, valuation is more than just a calculation of numbers. It is a valuable financial planning tool that captures a company's or owner's worth beyond the balance sheet and in many cases considers not only the company's tangible worth, but intangible value and future expectation.