



{ Daniel Ketcham
*Submitted by Daniel Ketcham,
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Successor Trustees & Real Estate: *Who is Responsible for the Appraisal?*

Dear Mr. Ketcham:
Question: I am the new "successor trustee" of my mother's estate, as she passed away just recently. I have the responsibility of selling her home and distributing the estate assets to the trust beneficiaries. One of the beneficiaries has expressed an interest in potentially purchasing the property from the estate, but at price I suspect is below market value. My legal counsel and accountant are both instructing me to have an appraisal prepared. I also understand that the estate will likely not be subject to inheritance or estate tax. Should an appraisal be prepared or should I just speak with local real estate agents to confirm the property value?

Answer: Your attorney and accountant are both correct in requesting a formal "date of death" appraisal, which will serve multiple purposes. First, it will assist in establishing if the estate is subject to estate tax and if an estate tax return must be filed with the IRS. Secondly, it will establish the new "step up basis" for the heirs or beneficiaries who may

receive the asset. It is best to establish this now, rather than years in the future when the asset or property is to be sold and when you then must have the step up basis to determine your capital gain. Finally, as the successor trustee, you have a fiduciary responsibility to the other trust beneficiaries to insure that you properly manage the trust assets and in selling an asset, you have done so at market value. For your protection and the other trust beneficiaries, a qualified appraisal is highly recommended. Inasmuch as the appraisal report will likely be examined by one or more third parties (IRS, prospective buyers, trust beneficiaries, etc.), I suggest that a "complete appraisal" be requested and prepared in a "self-contained" or "summary report". For assistance in selecting a qualified appraiser in your area for the assignment, I suggest you visit the Appraisal Institute website at www.appraisalinstitute.org where you can locate an appraiser.

Mr. Ketcham welcomes questions on real estate valuation and appraisal issues. Email him at ketchams@sbcglobal.net

