

Fair Market Value Definitions for IRS-Related Appraisals per the Code of Federal Regulations (CFR)

Fair Market Value for Charitable Contributions

The Fair Market Value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

If the contribution is made in a property that of a type which the taxpayer sells in the course of his business, the fair market value is the price which the taxpayer would have received if he had sold the contributed property in the usual market in which he commonly sells, at the time and place of the contribution and, in the case of a contribution of goods in quantity, in the quantity contributed.

The usual market of a manufacturer or other producer consists of the wholesalers or other distributors to or through whom he customarily sells, but if he sell only at retail the usual market consists of his retail customers.

If the donor makes a charitable contribution of property, such as stock in trade, at a time when he could not reasonably have been expected to realize its usual selling price but is the amount for which the quantity of property contributed would have been sold by the donor at the time of its contribution.

26 CFR §1.170A - 1 (c) (2)

Fair Market Value for Gift Taxes/ Charitable Contributions

The Fair Market Value is the price at which property would change hands between a willing buyer and a willing seller, when neither is forced to buy or sell, and when both have reasonable knowledge of all relevant facts. Fair Market Value may not be determined by a forced sale price, nor by the sale price of the item in a market other than that in which the item is most commonly sold to the public. The location of the item must be taken into account wherever appropriate.

26 CFR §25.2512-1

Fair Market Value for Calculating Estate Taxes

The Fair Market Value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. The fair market value of a particular item of property includible in the decedent's gross estate is not to be determined by a forced sale price. Nor is the fair market value of an item of property to be determined by the sale price of the item in a market other than that in which such item is most commonly sold to the public, taking into account the location of the item wherever appropriate. Thus, in the case of an item of property includible in the decedent's gross estate, which is generally obtained by the public in the retail market, the fair market value of such an item of property is the price at which the item or a comparable item would be sold at retail. For example, the fair market value of an automobile (an article generally obtained by the public in the retail market) includible in the decedent's gross estate is the price for which a automobile of the same or approximately the same description, make, model, age, condition, etc., could be purchased by a member of the general public and not the price for which the particular automobile of the decedent would be purchased by a dealer in used automobiles.

26 CFR §20.2031-1(b)