

ARM Up Close & Personal

Business Appraisal and the Law School Boost

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Crawl before you walk. Walk before you run. Base your career on everything you learn.

It is impossible to jump from a high school graduate to an appraiser with the ARM credential. There are so many steps in between that produce the building blocks of a career. Everything we know in life is based on learning something prior. For me, the most obvious building block was attaining my ASA credential before I could achieve the ARM designation. Seriously, how could anyone review an appraisal if they don't know how to write an effective appraisal? But some building blocks are not so obvious, yet just as important.

When I began my career as a CPA in the late 1980s, I knew I wanted to attend law school, but not for the reasons you might think in light of my ultimate career choice. My plan was to be a tax professional at a CPA firm. At that time, I had never even heard of business appraisal, not to mention appraisal review. But with an open mind, my plans changed based on what I learned and experienced. My law school education had a pivotal impact on the twists and turns of my chosen path.

Most business appraisers have accounting or finance backgrounds. What is taught in these undergraduate degrees are polar opposite of what is taught in law school. Accounting majors learn what to do with numbers and amounts, they learn the formulas and categorize amounts properly--it's all about the numbers. However, there are no numbers in law school.

Early in my appraisal career, I commented to an attorney about the Internal Revenue Tax Code books in her library. She used them for her own references, instead of relying on others. She suggested that I had learned to read statutes and how to research in law school, which was true. I then thought about what else I had learned in law school. What else did I learn that I would not have learned otherwise? --And, how has that education given me a boost?

Much of my work is divorce litigation, which requires drawing upon all my education and acquired skills. I learned to research statutes and case law in law school. I now am adept at fully understanding the nuances of child support, spousal support, separate property, passive appreciation, and personal goodwill. How do you balance the Ohio Revised Code with the Internal Revenue Code, for example? If there is a conflict, case law research will typically provide the guidance needed. But is the case you locate on point? Comparing and contrasting to determine if the case is analogous is imperative, followed by writing a compelling argument. As an accounting major, the most writings I created were financial statement footnotes that were quite standard. In law school, I learned how to write compelling arguments that applied the law.

Understanding the tax code is not something to be overlooked, however. Many accounting majors do not ever study tax. While I completed two tax courses in undergraduate college, they were both elective courses. I did not know very much about the tax code until I was employed at a CPA firm. With the help of a very good manager, I learned enough to be comfortable with the tax code, but was never fully immersed in it until I went to law school and learned to read statutes and legislation. Many of the issues that arise in divorce litigation are tax oriented. This specific training came in quite handy when a client and his soon-to-be-ex-wife lived in different countries. Not only did I have to fully understand the US Tax Code and the relevant Tax Treaty, but I

also had to convince the Dutch counsel of the rules that her client needed to follow in order to receive the benefits of the Tax Treaty. Understanding the international tax rules was no simple task.

Not only is the ability to read and interpret statutes important to appraisers, we need to be comfortable with reading a significant number of legal documents. I was always pretty good at grammar and had a solid command of the English language...or so I thought...until law school. In the first year of law school, all students were required to take two semesters of Legal Writing and Research. Lawyers write differently...'legalese' is what most people call the language. We learned to write compelling arguments for legal briefs to be filed with the court. But there was so much more writing to be completed before we graduated. We learned to write partnership agreements, commercial leases, employment agreements, purchase agreements, and the list goes on. As appraisers, it is important to be able to read and interpret all of these legal documents.

All my years in law school courses have taught me to listen differently. I learned to actively listen as I sought out issues. 'Issue spotting' is a key element in every law school class...and issue spotting is a key element in any litigation. As an expert witness, it is imperative to not only spot the issues, but also recognize when the issues are not in the favor of a client. I learned to speak differently, too. Although I do not practice law as a profession, I work with lawyers all the time. To speak the same language as those who are hiring me and those who are deposing me is tremendously helpful. I have learned to speak with precision in educating and guiding my audience down the path they need to go, even if they don't know they need to go there sometimes.

Law school was challenging and it required a commitment of several years in my life. If I had to do it over again, would I? Absolutely! Even though the practice of law is not my chosen profession, as an appraiser and reviewer, I draw upon that education daily. Law school gave me the boost to excel as an accredited appraiser, and even more so as an ARM accredited professional.

Terri Lastovka is an Accredited Senior Appraiser of the American Society of Appraisers in Business Valuation as well as Appraisal Review & Management. She is also a CPA and licensed attorney in the State of Ohio and sits on the neutral panel of the American Arbitration Association. Terri is a sole practitioner operating as Valuation & Litigation Consulting LLC and specializes in business valuation, forensic accounting and economic damages in the areas of domestic relations, probate, estate and gift tax, and commercial litigation.