

Internal Revenue Manual Section 5.8.5.16 (10-22-2010)

Inventory, Machinery, Equipment, and Tools of the Trade

1. Inventory, machinery, and equipment may be considered income producing assets. *IRM 5.8.5.15, Income Producing Assets*, when it is determined that liquidation of these assets would be detrimental to the continued operation of an otherwise profitable business.
 2. To determine the value of business assets, use the following:
 - For assets commonly used in many businesses, such as automobiles and trucks, the value may be easily determined by consulting trade association guides.
 - For specialized machinery and equipment suitable for only certain applications, consult a trade association guide, secure an appraisal from a knowledgeable and impartial dealer, or contact the manufacturer.
 - When the property is unique or difficult to value and no other resource will meet the need, follow local procedure to request the services of an IRS valuation engineer.
 - Consider asking the taxpayer to secure an appraisal from a qualified business appraiser.
- Note:**
Business appraisals should only be requested when the cost of the appraisal is justified by the complexity of the business activity and where there is a market for similar businesses in the taxpayer's location.
3. There is a statutory exemption from levy that applies to an individual taxpayer's tools used in a trade or business, which will be allowed in addition to any encumbrance that has priority over the NFTL. This exemption for tools of the trade generally does not apply to automobiles. The levy exemption amount is updated on an annual basis.