

Valuation News

May 2002

As part of our ongoing effort to provide valuable information to our growing network of Attorneys and CPAs, Crandall & Brackett, Ltd., publishes this Quarterly "***Valuation News***" to present recent developments in the valuation field. If you have any questions or comments, please do not hesitate to give us a call. (Telephone 630-653-7922, Fax 630-653-7804, E-mail robert@crandall-brackett.com, web-site www.crandall-brackett.com)

2002 . . .

Two recent court cases have come to our attention. The first (Christine and Albert Hackl v. Commissioner) represents a change in IRS tactics on FLP's. They successfully argued that gifts of limited interests in an LLC convey no current value, and therefore, there was no gift. The second case (Estate of Aldo Fontana) determined that due to deceased's general power of appointment, aggregation was appropriate of his and his (previously deceased) wife's trust.

CURRENT UPDATE

We have just finished our annual re-write of the business valuation update course that we prepare the materials for and teach across the country (through NACVA). These materials include current checklists for valuations prepared for charitable contributions and gift tax purposes. Please call if you would like certain excerpts. The entire compendium is available from NACVA and is accompanied with a CD which permits quick links to over fifty valuation related web sites.

VALUATION CREDENTIALS

As with many professions, there are a variety of credentials available to business valuation professionals. The ASA (American Society of Appraisers) offers the ASA (and other) designations. The IBA (Institute of Business Appraisers) offers the CBA designation. The AICPA (American Institute of CPA's) society offers the ABV. NACVA (National Assoc. of Certified Valuation Analysts) offers the CVA (and other) designations. We have a two-page glossary chart (available upon request) which helps explain many of the differences.

2001 . . .

Looking back at 2001, we saw a plethora of court cases (mostly Texas) dealing with family estate planning entities. Some (very few) had good taxpayer facts. The taxpayer prevailed in most of them. We have listed several of these on the backside of this newsletter. We also saw the overturning of the Simplot case (9th Circuit) in which 3% of the entire company's value was assigned to the .05% equity with voting rights.

BEEN WAIVING YOUR FLAG LATELY? If the flags you have been displaying your national pride with are becoming worn and tattered, be aware that there are very specific flag etiquette rules with respect to disposal. Your local Elks Lodge (Wheaton's BPO Elks Lodge 2258, 630/653-5928) is pleased to assist you with the proper disposal of these items. A small donation might be appropriate.

Please remember... The Arthur L. Crandall Award for Excellence in Accounting at Roosevelt University. Should you wish to contribute to its success, please contact us or send your donations to Roosevelt University (Development Office 430 South Michigan Avenue, Chicago, Illinois 60605).

Interesting Cases:

Strangi vs. Commissioner, November 30, 2000, 115 TC No. 35
Re: Discussed use of Family Limited Partnership near date of death - taxpayer prevailed.

Knight vs. Commissioner, November 30, 2000, 115 T.C. No. 36
Re: Value of Family Limited Partnership with differing types of real estate.

W. W. Jones vs. Commissioner, March 6, 2001, 116 T.C. No. 11
Re: Court cited Strangi and Kerr

March 27, 2002, 118 T.C. No. 14
Albert Hackl vs. Commissioner
Re: No present value to LLC interest given as gift

March 28, 2002, 118 T.C. No. 16
Estate of Aldo Fontanta,
Re: Aggregation of equity interest

***Crandall & Brackett, Ltd. and its predecessors have been serving
Attorneys, CPAs and Estate Planners since 1965.***

**Our practice is business valuations – always performed in conjunction with the
Company’s accountant and/or attorney.**

*Our 24 hour availability and extensive library have been invaluable to
attorneys and CPAs alike.*

Call us with your questions or for a quote on a valuation project.

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