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Valuation News

October, 2000

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 RBrack3958@aol.com, web-site www.crandall-brackett.com)

PLEASE WELCOME...

Marcy Allen has taken over the office manager position at Crandall & Brackett. Tami has left to begin full-time student teaching, and is only months away from her goal of becoming a teacher. Marcy's background includes many years of secretarial work with local law firms.

IRS CLASSES

The engineers who conduct business valuations are completing over forty hours of in-house CPE on valuations. They have invited speakers from numerous information vendors and professional associations to speak on a variety of matters. Our president (Bob Brackett) spoke at the conferences in Fort Monmouth and Fort Lauderdale on topics including FLP's, common errors in business valuation, and adequate disclosure requirements for charitable contributions and gifting of closely held company stock.

ESTATE PLANNING

Please advise your clients to follow through with their estate plans. The IRS has prevailed against taxpayers who never moved ownership of assets into the estate management vehicles you established for them (e.g. stock ownership was never actually transferred to the FLP).

GIFT, ESTATE AND CHARITABLE DONATIONS

Transfers of closely held company stock for any of these reasons require submission of the valuation report with the tax return. New, detailed adequate disclosure requirements have significantly increased the material which must be in the report (included with the return). Thus, costs for such work are increasing, as are the risks of using low cost valuation services. We have check lists you may use to ensure your current BV specialist is providing your client adequate documentation.

EFFECTS OF STRUCTURING THE ESTATE

We are completing a valuation of a first generation entrepreneur who took his estate planning seriously. He placed 99% of his company's stock in an FLP, and gifted all but a 1% general partner interest and a 29% limited partner interest to his natural heirs. Thus, at death he only held a 1% common stock interest and the 30% (aggregate) limited partnership interests, but still had control of the business and all the related cash flows. Since the bulk of the ownership was through the limited partner interest, significant discounting was appropriate for his estate tax valuation.

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:

Hewitt v. Commissioner of Internal Revenue

1998 WL 802042 (4th Circuit)

Re: Taxpayer lost most of their Charitable Deduction because they failed to obtain a valuation of their closely-held company stock prior to the donation.

Estate of Nowell

Number 19056-96, T.C. Memo 1999-15 (1/26/99)

Re: Reaffirming the lack of aggregation of different instruments holding parts of the same business's equity in an estate.

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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