

COURSE ASSIGNMENTS PART II

III. VALUATION

9. GENERAL PRINCIPLES OF VALUATION

A. General Rules

Code: §§ 2031(a); 2512

Regs: §§ 20.2031-1(b); 25.2512-1

Note §§ 20.2031-2, -3, -4, -5, -6, -7 (valuation rules for specific types of property)

Note §§ 25.2512-2, -3, -4, -5 (valuation rules for specific types of property)

Text: pp. 201-203

Article: Robert W. Wood, *Even After Death, Michael Jackson Has to Deal with the IRS*,
https://www.americanbar.org/groups/business_law/publications/blt/2013/10/03_wood/ –
note the huge disparity between the estate's valuation of Michael Jackson's image and
likeness, (\$2,105), and the IRS' valuation of his image and likeness (\$434,000,000)!

B. Valuation Date

Code: §§ 2031(a); 2512(a); 2624(a)

Text: pp. 204-205

C. Alternate Valuation Date

Code: § 2032; 1014(a); 2624(b)

Text: pp. 205-209

Problems: pp. 209-210 (Problems 1 & 2 only)

10. ACTUARIAL VALUATION

A. General Principles

Code: § 7520

Regs: §§ 20.7520-1(a)(1), (b); 25.7520-1(a)(1), (b); 25.2512-5(a);
20.2031-7(a); 20.2031-7(d)(1);
20.2031-7(d)(6) (Table B for calculating remainder value of term certain)
20.2031-7(d)(7) (Table S for calculating remainder value for life estate)

Note: For March 2021, the actual “section 7520 interest rate” (*i.e.*, 120% of the Federal midterm rate) is 0.8%.

Text: pp. 211-214

Problems 1-3 (p. 222) (skip Problem 4)

B. Exceptions

Regs: §§ 20.7520-3(a)(8); 25.7520-3(a)(8); 20.7520-3(b)(3) & (4) (Examples).
Skim § 20.7520-3(b)(2)(ii)

Text: pp. 214-222

11. CLOSELY HELD BUSINESSES AND OTHER ASSETS

A. General Principles

Code: § 2031(b)

Regs: §§ 20-2031-2(b)(1); 20.2031-2(f); 20.2031-3; 25.2512-2(b)(1); 25.2512-2(f); 25.2512-3

Text: 223-236

B. Premium for Control

Regs: §§ 20.2031-2(e); 25.2512-2(e)

Text: pp. 237-241

C. Minority Discounts

Text: pp. 241-251

D. Marketability Discounts

Text: pp. 251-252

K. Family Limited Partnerships

Text: pp. 269-272

Problems 1-6 (p. 272)

12. RETAINED INTERESTS AND VALUE FREEZES

A-B. Introduction & Responses by Commissioner & Congress

Code: Note §§ 2701; 2702

Text: pp. 273-276

C. Section 2701 Valuation Rules

Code: § 2701

Regs: §§ 25.2701-1(a), (e) (Examples); 25.2701-2(b)(6), (d) (Examples 1 & 2); 25.2701-3(a).
Skim § 25.2701-3(b)

Text: pp. 276-279

D. Other Aspects of the Section 2701 Valuation Rules

Text: pp. 279-281

E. Practical Effects of the Section 2701 Valuation Rules

Text: pp. 281-282

F. Transactions Not Subject to the Section 2701 Valuation Rules

Code: § 2701(a)

Text: pp. 282-284

G. Partnerships

Text: p. 284

Problem 1 (p. 284)

H. Trusts

Code: § 2702

Regs: §§ 25.2702-1; 25.2702-2(a), (b); 25.2702-3(a), (b)(1), (c)(1), (d)(1), (f)(1)

Text: pp. 285-291

I. Interests in Other Property

Text: p. 292

Problems 1 & 2 (pp. 292-293) (if relevant, you need not calculate the annuity valuation under the actuarial valuation principles; instead, merely consider which valuation method under § 2702(a)(2) applies)

13. SPECIAL USE VALUATION

Code: Note §§ 2032A; 1040; 6324B

Text: pp. 295-299 (merely skim—do not worry about the details; skip Problem on pp. 300-301)

14. OTHER VALUATION MATTERS

A. Blockage

Regs: §§ 20.2031-2(e); 25.2512-2(e)

Text: pp. 303-304

C. Discovery of Commissioner's Valuation Method

Code: § 7517

Text: p. 310

D. Burden of Proof

Code: § 7491

Text: pp. 310-311

E. Declaratory Judgment by the Tax Court

Code: § 7477

Text: p. 311

F. Penalty for Undervaluation

Code: §§ 6601(a); 6621(a)(2); 6622; 6662(a), (b)(5), (g), (h); 6601(e)(2)(B); 6664(c)

Text: pp. 311-312 (skip the Problems on pp. 312-313)

G. Penalty for Overvaluation

Code: Note § 6662(e)

Text: p. 313