

## 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: Dana Mark, [Tax Trial of the Century](#) (Smith, Gambrell Russell website), regarding Estate of Michael Jackson

##### 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,  
starting on p. 1208 of the statute/regulations volume)  
20.2031-7A(g)(4) (Table S for calculating remainder value for life estate,  
starting on p. 1257 of the statute/regulations volume). Note that this version of  
Table S applied to valuation dates prior to June 1, 2023. The new version, which  
reflects more recent actuarial life expectancy data and applies on or after June 1,  
2023, is not in the volume, but instead is available on the [IRS website](#). In order to  
avoid the need to download those new tables (in Excel format), we will only look  
at the pre-June 1, 2023, Table S in the statute/regulations volume. That version  
will be sufficient for learning the basic operation of the table.

Note: For October 2024, the actual “section 7520 interest rate” (*i.e.*, 120% of the Federal  
midterm rate) is 4.4%.

Text: pp. 211-214

Problems p. 222 (Problems 1-3 only). In doing these problems, use the pre-June 1, 2023, version  
of Table S (if relevant). As indicated in the problem, assume the section 7520 rate is 6%.

### 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: 223-231

### B. Premium for Control

Regs: §§ 20.2031-2(e); 25.2512-2(e)

Text: pp. 231-236

C. Minority Discounts

Text: pp. 236-246

D. Marketability Discounts

Text: pp. 246-247

K. Family Limited Partnerships

Text: pp. 263-266

Problems p. 267 (Problems 1-6 only)

**12. RETAINED INTERESTS AND VALUE FREEZES**

A-B. Introduction & Responses by Commissioner & Congress

Code: Note §§ 2701; 2702

Text: pp. 269-272

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. 272-275

D. Other Aspects of the Section 2701 Valuation Rules

Text: pp. 275-277

E. Practical Effects of the Section 2701 Valuation Rules

Text: pp. 277-278

F. Transactions Not Subject to the Section 2701 Valuation Rules

Code: § 2701(a)

Text: pp. 278-280

G. Partnerships

Text: p. 280

Problem p. 280 (Problem 1 only)

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. 281-287

I. Interests in Other Property

Text: pp. 287-288

Problems p. 288 (Problems 1 & 2 only) (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. 291-295 (merely skim—do not worry about the details; skip Problem on pp. 296-297)

**14. OTHER VALUATION MATTERS**

A. Blockage

Regs: §§ 20.2031-2(e); 25.2512-2(e)

Text: pp. 299-300

C. Discovery of Commissioner's Valuation Method

Code: § 7517

Text: p. 306

D. Burden of Proof

Code: § 7491

Text: pp. 306-307

E. Declaratory Judgment by the Tax Court

Code: § 7477

Text: p. 307

F. Penalty for Undervaluation

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

Text: pp. 307-308 (skip the Problems on pp. 308-309)

G. Penalty for Overvaluation

Code: Note § 6662(e)

Text: p. 309