

Invotex Analysis:

## Tax Court Decision Favors Estate Tax Discounts

### Valuation expert's well-supported appraisal leads to tax court decision favoring percentage discount for capital gains in estate matter

Invotex analyzed a January 29, 2009 Tax Court decision, *Estate of Marjorie deGreef Litchfield v. Commissioner (T.C. Memo 2009-21)*, in which the Tax Court rendered a favorable decision for the estate on the percentage discounts used for built-in capital gains tax, lack of control and lack of marketability relating to the estate's minority interests in two closely-held corporations.

Judge Swift gives a thorough analysis and summary of the valuation theory and issues relating to the three types of discounts. In addition, his critique of the expert's appraisal reports and testimony is instructive and shows the importance of using an appraisal expert that performs the proper level of due diligence and renders valuation opinions that are well reasoned and supported by empirical evidence and the facts of the case. Even though the case is not authority for the level of discounts that may be used in any other case, the court determined combined discounts that were over 85% of the discounts rendered by the estate's expert:

#### LRC (S Corporation)

	Estate's Expert	IRS's Expert	Court
Built-In Capital Gains Taxes	17.4%	2.0%	17.4%
Lack of Control	14.8%	10.0%	14.8%
Lack of Marketability	36.0%	18.0%	25.0%

#### LSC (C Corporation)

	Estate's Expert	IRS's Expert	Court
Built-In Capital Gains Taxes	23.6%	8.0%	23.6%
Lack of Control	11.9%	5.0%	11.9%
Lack of Marketability	29.7%	10.0%	20.0%

For a full copy of the tax court decision, please follow this [link](#) or visit our website at [www.invotex.com](http://www.invotex.com).

#### About Invotex Group

Invotex Group offers the business and legal communities a full range of valuation services, including estate and gift tax valuation services, tax compliance, financial reporting and fair value, corporate valuations and valuations related to litigation damages and bankruptcy. The firm's valuation practice is lead by highly experienced professionals with credentials from all of the major valuation organizations. For further information on Invotex Group and our valuation services, please visit us on the web at [www.invotex.com](http://www.invotex.com).

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