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No one wants the IRS knocking on their door, especially after they have passed. But it can happen if your estate isn't valued correctly.

Michael Jackson's estate has been fighting the IRS for seven years over the value of the pop star's name and likeness and music rights holdings. Jackson died in 2009 at the age of 50 amid several reputation-damaging scandals. His estate's representatives and the IRS disagreed about the value of his name, likeness and other holdings by hundreds of millions of dollars, and the IRS originally sent the estate a more than \$500 million estate tax bill.

You may not have an estate the size of Jackson, but this is a reminder of the value of

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2. **How many valuation methods will be used in the valuation report?** – One of the best ways to support and, if necessary, defend the valuation used for estate and gift tax purposes is to use multiple valuation methods that support the result.
3. **What documentation will be provided in the valuation report?** – The IRS must understand why a business or assets were valued the way there were. Thorough documentation, including why selected methods and approaches were used as well as supporting documentation that explains assumptions and qualitative inputs (i.e., professional judgment), is crucial. The valuation report tells the story, make sure the IRS can understand what the story is about.
4. **What experience or expertise do you have to value the assets?** – Some items, like automobiles that are traded routinely, are easy to value. Other assets, like fine art, names and likenesses, , jewelry, patents or publishing rights, are much more difficult to put a number on, and the expertise needed to value those assets can be very specialized. Be sure the professional providing the valuation has the skills relevant certifications or credentials to value your assets. Keep in mind – having a professional who knows when to call in a subject matter expert is a good thing!
5. **Are there opportunities to make a pre-death transfer of appreciating assets?**  
Pre-death transfers establish a fair market value on the date of the transfer and can help remove significant wealth from the estate. However, this has its pros and cons. Pre-death transfers can result in a more expeditious settlement, but they may also accelerate the need to defend the value of the transferred assets.

Tax Planning

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