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# TUCKER & MELTZER

VALUATION ADVISORS

June 2009, Issue 10

## BUSINESS VALUATION ADVISOR

*Commentary on the business of business valuation  
for estate planning professionals and business owners*

This newsletter is for the information of attorneys, financial planners and business owners who deal with business valuation issues and are interested in the current thinking in business appraisal. It is not a "how to" publication, but more of an explanation of a complex professional service.



### COMMENTARY

Times have changed. When we began our valuation practice three years ago, we were performing valuations primarily for FLPs and other asset holding companies. Today we are also providing valuations for corporate entities and business litigation. This year we will perform approximately 125 assignments (40+ FLPs, 50 or so corporate and 15-20 in litigation matters). We have grown from two professionals to six, thanks to our clients and a large market for valuation services. Beginning with the September issue, the *Business Valuation Advisor* will provide information and articles across the spectrum of our valuation practice. We hope you will continue to enjoy our newsletter and invite your comments. o

### VALUATION PERSPECTIVES

When determining minority interest discounts for privately-held stock, we frequently rely on the Mergerstat®/BVR Control Premium Study™, which is a detailed market transaction database. Each year a number of publicly traded companies are sold for more than their pre-acquisition market capitalizations.

### THE TUCKER & MELTZER DIFFERENCE

Tucker & Meltzer Valuation Advisors are independent business valuation advisors. We provide no other services (accounting, legal, financial planning or investment). Tucker & Meltzer represents an economical alternative to more expensive accounting and large valuation firms. We offer accurate, well documented, up to date, and market based value comparisons and promise an exceptional turn-around time. We have the experience and knowledge to handle the tough jobs and we look forward to having the opportunity to work with you.

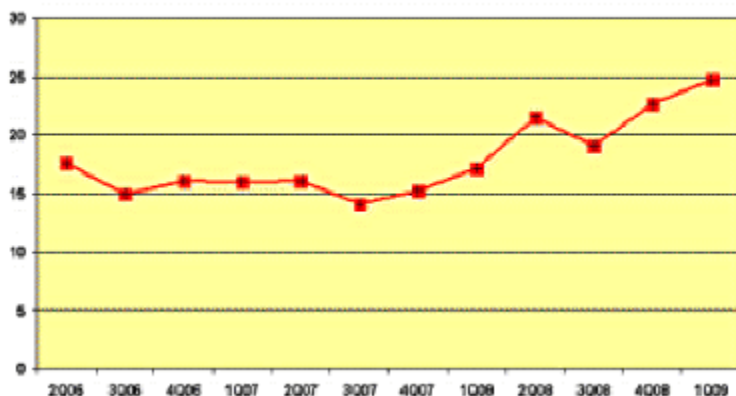
### ANNOUNCING . . .

Mark Norris, Jennifer Rosenberg and Robin Duffy attended the National Association of Certified Valuation Analysts (NACVA) conference last month in Boston.



Mark Norris has been elected to the National Credentialing Committee of NACVA.

## Minority Discounts



These are control premiums, from which the inverse or minority interest discount may be implied. We have noticed recently that Minority Interest Discounts have been rising throughout 2008 and the first quarter of this year. The five year average is 16.7% yet we are seeing average discounts as high as 24.2% this past quarter. As discussed, the minority interest discount is implied from a control premium. Control premiums tend to grow when there is a great deal of competition in the acquisition process, or as we have seen in the latter part of 2008, prices for publicly traded stocks have been depressed. We saw a similar run-up in data we derived from the closed end funds (average of 22% in 4Q08). For those contemplating gifts or transfers of privately-held shares, the higher discounts are welcome news. o

## CASES IN BRIEF

*Litchfield v. Commissioner, T.C. Memo. 2009-21, January 29, 2009*

In the Estate of Litchfield, both the estate's expert and the IRS expert agreed on the net asset value, but discounts for built-in capital gains, minority interests and marketability were hotly disputed. The estate prevailed in both the embedded capital gains and minority discount issues. The marketability discount was pegged at 25% (vs. 36% for the taxpayer and 18% for the Service). Of particular interest is the calculation of the built-in capital gains issue. The estate's expert provided a detailed analysis and calculation of the holding period, appreciation of the assets during the holding period and applied an appropriate discount rate to the projected taxes to arrive at a net present value. The U.S. Tax Court (Judge Swift) found the taxpayer's expert more credible and thorough in his analysis. A copy of the decision may be found on our web site, [click here](#)

Brooke Tucker and Mark Norris presented "How Much is this Business Worth?" to the MSBA Solo and Small Practice Section in Ocean City this month. o

### *Are the Days of the Un-credentialed BV Expert Over?*

*"Yes, undoubtedly, the Congress and the Service have raised the stakes for appraisers and appraisals that are significantly higher. Your field is extremely dynamic and changing all the time. We need to rely on you. We need you to have education, experience, and exposure, and know how to render an opinion that is reliable and credible." - The Honorable David Laro, U.S. Tax Court judge.*

## RECENT ASSIGNMENTS

Staffing Company - Litigation

FLP - Real Estate (4)

FLP - Mixed Assets (3)

ESOP - Annual (3)

MKTS - GRAT

VW Dealership - Sale

Caterer - Gifts

Gov't Contractor - ESO

Industrial Mfr. - Litigation

### **H.R. 436: Certain Estate Tax Relief Act of 2009**

*Among other things, this bill would disallow marketability discounts for non-business assets when there is a transfer of an interest in an entity that is not publicly traded. End of FLP discounts. There has been no better time to transfer assets to family members.*



Tucker & Meltzer - Valuation Advisors is a business valuation firm focused on the needs of family limited partnerships and closely-held companies. The firm's founding partners have extensive experience and credentials in valuing closely-held and asset holding companies. We have performed over 800 valuations for companies in a large number of industries, reflecting our broad experience in accounting, finance, litigation services, valuation theory and capital transactions.

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## PRIVACY STATEMENT

**We take your privacy very seriously.** T&M sends periodic (not frequent) announcements and newsletters to our friends and associates. To opt out of this newsletter, and all other email communications, click [here](#)