

## T & E Alert

### Estate of Pearl I. Amlie, Deceased, Rodney B. Amlie, Executor v. Commissioner T.C. Memorandum 2006-76 filed April 17, 2006

The Tax Court decided that a minority bloc of bank stock was properly valued for estate tax purposes under an 1995 family settlement agreement entered between heirs before the decedent's death in 1998, as opposed to the higher value received after death because the agreement complied with the requirements of IRC 2703 governing restrictive transfers. IRC 2703 allows such valuation providing the agreement is not testamentary in nature, is entered into as a bona fide business arrangement and is comparable to similar arrangements entered at arm's length. The court also found that the agreement also complied with pre-1990 requirement that the price be fixed and determinable, and binding during life and death.

The 1995 agreement in question had been negotiated between various factions of the decedent's family while her property was under the control of a court-appointed conservator. Brokered by the conservator, the agreement guaranteed some of the heirs the lower but supportable value [based on a market analysis centering on the ratio of price to book value,] but prohibited a sale of the bloc unless all heirs agreed. In 1997, the ultimate purchaser contracted with the dissenting heir to purchase the entire block at a higher value, which took place after death. The Service had argued that the actual sales price governed.

The Court also reduced from 25% to 15% a fractional interest discount covering agricultural land because of lack of evidence justifying a higher discount. The Court finally denied the Service's request for IRC 6662 penalties due to its conclusion on the bank stock valuation portion of the decision.

The decision is available at the Court's web site:  
<http://www.ustaxcourt.gov/InOpHistoric/AmliePearl.TCM.WPD.pdf> and a copy is available at  
<http://www.NYNJCT-BV.com/AmliePearl.TCM.WPD.pdf>

This decision could have applicability for multi-heir estates holding closely-held stock, particularly when dissent exists.

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