

October 03, 2013 /24-7PressRelease/ -- **Michael Jackson's estate: An example of valuations gone wrong.**

As an article in Forbes recently stated, when it comes to the valuations made in Michael Jackson's estate the question at hand may be: Who's bad? Someone certainly is, since the valuations used sharply contrast those produced by the IRS. The difference: a whopping tax deficiency of \$700 million.

In order to understand the controversy, a basic understanding of federal estate [tax](#) is helpful. Estate taxes are applied when the property transferred after death exceeds a certain dollar amount. This amount is set by the federal government. In 2013 any estate exceeding \$5,250,000 will require filing an estate tax form.

Determining estate tax: The basics.

Estate taxes are determined based on the value of the property. In order to come up with this amount, a process referred to as valuation is used. This is applied to all assets owned at the time of death, including savings and checking accounts, securities, property, insurance plans and business interests. The total estate also takes into account any debts, which lower the overall value.

Once the assets are accounted for, deductions are applied. Deductions, or exemptions, are reductions to the estate. Some examples include:-Personal exemption. This refers to the base amount of a person's estate that can be subject to taxation. As noted above, in 2013 this amount is \$5,250,000.-Marital deduction. If the transfer goes directly to a U.S. citizen spouse, it can generally be made without penalty. There is no monetary limit on this transfer.-Funeral expenses.

If estate tax is owed, the personal representative, executor or person who has possession of the estate should file the appropriate paperwork within nine months of the owner's death.

Was Michael Jackson's estate undervalued?

Michael Jackson's estate: An example of valuations gone wrong

Written by Australian Business

It appears this question of how much the former King of Pop's estate is worth will be answered in court. The Jackson estate claims the valuation is just under ten million, while the IRS claims an accurate valuation closer to \$1.25 billion. As a result, the IRS sent a Notice of Deficiency to the executors of the estate, and the executors countered with a petition to the U.S. Tax Court. The Court agreed to hear the case, and the issue will be formally contested.

Although not many estates reach into the billions, it is not uncommon for tax issues to arise. Life insurance policies and retirement accounts alone can add great value to an estate, which can lead to the need for careful valuations and estate planning. Contact an experienced tax law attorney to help reduce the risk of tax surprises when your estate is transferred.

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