

Corporate Offices

California (Los Angeles)

James S. Rigby ABV, ASA
213.362.9991

Erich Z. Sylvester JD., ASA
213.362.9991

Florida (Tampa)

Michael J. Mard ABV, ASA
813.985.2232

Steven Hyden ASA
813.985.2232

Regional Offices

California (Oakland)

John J. Mayerhofer FACHE
510.531.2943

California (Silicon Valley)

Robert T. Lanz
408.777.2914

Illinois (Chicago)

Michael J. Mattson
773.769.3045

Iowa (Des Moines)

Terry J. Allen ABV, ASA
515.953.4498

Massachusetts (Boston)

Stephen J. Bravo ABV, AM
508.872.4002

Missouri (Kansas City)

Terry J. Allen ABV, ASA
816.373.3340

Montana (Great Falls)

John R. Gilbert ABV, ASA
406.453.1800

Please contact us via
email:

info@fvginational.com

Tax Valuation E-Flash

Estate of Fred O. Godley v. Commissioner, US Court of Appeals for the Fourth Circuit, No. 01-1887, April 15, 2002

The US Court of Appeals has affirmed the Tax Court's determination that 50% ownership interests in five general partnerships were not subject to a discount for lack of control.

At the time of his death in 1990, Fred O. Godley (Godley) owned a 50% interest in five general partnerships. Four of the partnerships in questions were HUD housing partnerships and the fifth was a management partnership that managed the four HUD partnerships. The Tax Court determined (*Estate of Fred O. Godley v. Commissioner, T.C. Memo 2000-242*) ([E-Flash 2-13](#)) that the 50% ownership interests should not be subjected to discounts for lack of control.

Frank D. Godley, Jr. (Godley, Jr.), Decedent's son, owned the remaining 50% of each partnership, and was managing partner. He took care of the day-to-day management, but "major decisions"

"The question of whether a taxpayer is entitled to a discount is intertwined in the larger question of valuation and valuation determinations are clearly questions of fact.... Absent some explanation why control has economic value, however, no premium or discount is warranted."

required a 75% vote of the partners. The estate argued that a discount for lack of control for a 50% partnership interest was a question of law. The Fourth Circuit said, "The question of whether a taxpayer is entitled to a discount is intertwined in the larger question of valuation and valuation determinations are clearly questions of fact.... Absent some explanation why control has economic value, however, no premium or discount is warranted."

The Fourth Circuit concluded that there was little to be gained by having control of the partnerships and little risk in holding a minority interest for the following reasons:

[Click Here for Full Text of Cases](#)

Services Offered:

- Corporate Transaction Services
- Tax Related Services
- International Valuations
- Employee Stock Ownership Plans
- Litigation Services
- Intellectual Property Services
- Accounting (SFAS 141 & 142)
- SEC Review

For a complete listing of our services, please visit:

www.fvginternational.com

Subscriptions:

For a complimentary subscription to one of our newsletters, please visit:

www.fvginternational.com

We encourage you to forward this newsletter to other interested parties.



1. The housing partnerships were guaranteed a long-term steady stream of income under the HUD contracts, which allowed an above market rental rate. Therefore, control did not have any appreciable value and lack of control did not reduce the value of a 50% interest.
2. The partnership agreements required the partnerships to distribute "net cash flow" annually and there was no risk that Godley would not realize an annual payout. It was unlikely that Godley Jr.'s management power to set aside reserves could be used to defeat the requirement of an annual distribution.
3. Godley's 50% interest did not allow him to compel liquidation or sell partnership assets. Because of the passive nature of the business and the almost certain prospect of steady profits, however, "the ability to liquidate or sell assets was of little practical import."

Because of the passive nature of the business and the almost certain prospect of steady profits, however, "the ability to liquidate or sell assets was of little practical import."