

Sorensen Settlement

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In Issue 2022-8, two cases, *Robin Sorensen v. Comm’r*, Docket Nos. 24797-18 and 20285-19, and *Chris Sorensen v. Comm’r*, Docket Nos. 24798-18 and 20284-19, were discussed which involved a defined value provision similar to the one used in *Wandry v. Comm’r*, T.C. Memo. 2012-88. In an unexpected development, the cases have been settled by a stipulated decision on August 22, 2022, in which each brother agreed to pay an additional gift tax of slightly more than \$4 million. As part of the settlement, the IRS agreed to waive penalties under IRC Sec. 6662 which had been assessed at about \$5.4 million.

The settlement is “unfortunate” in the sense that validity of defined value provisions such as *Wandry* and *Sorensen* remains uncertain. Bearing in mind the sale of the company for about \$1 billion at the close of 2021, the transaction and the settlement worked out extremely well for the shareholders. The IRS will, of course, pick up substantial capital gains taxes from the shareholders on their 2021 federal income tax returns.

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