

Seminar Description

Many valuations developed by appraisers estimate the value of partial interests. While fee simple appraisals predominate, the valuation of fractional interests, such as leased fee estates, leasehold interests, and surface rights, is common. Somewhat less common is the appraisal of undivided interests, such as tenancy in common, tenancy by the entirety, and joint tenancy. Although such ownerships are common, the sale or valuation of one part of the ownership occurs rather infrequently. This seminar considers the valuation of such undivided interests.

The Partial Interest Valuation—Undivided seminar examines and applies suggested valuation techniques for those interests that cannot be readily divided or separated from the bundle of rights. This seminar examines the basic highest-and-best-use principles in the valuation of undivided partial interests, discusses several controversial and complex valuation issues, and provides suggested guidelines.

This seminar discusses several types of undivided interests; including concurrent ownerships such as tenancy in common, joint tenancies, partnerships, and closely held corporations. Valuation of family-held properties is also discussed. The seminar explores control adjustments and discounts in some detail, with the greatest emphasis being on minority-interest discounts, lack-of-marketability discounts and the cost of partitioning. Proper valuation techniques are discussed for partnership interests, closely held corporations, and concurrent ownerships. The end of the seminar also includes synopses of some of the most important court cases and excerpts from several IRS publications and rulings.

While completing this seminar will not make one an expert in the valuation of undivided partial interests, it will provide a basic overview of the principles and procedures necessary to complete an undivided-partial-interest valuation. Since many such valuations involve the valuation of property that is not real estate, the Appraisal Institute encourages working with a business appraiser when the valuation assignment entails dealing with nonrealty.

Court cases and IRS publications included in the addenda provide valuable insights into the proper and accepted procedures, making the seminar material a valuable resource tool for the valuation of undivided partial interests. The seminar handbook includes the complete text of relevant court decisions to better illuminate the context in which decisions were rendered, making it easier to determine the applicability of the case to a particular situation. The complete text of the decisions and IRS sections will provide the best and most accurate tool for appraisers interested in the valuation of undivided partial interests.

For those wishing to value undivided partial interests or to learn more about their valuation, the following resources are invaluable, if not mandatory:

- *Federal Tax Valuation*, by John A. Bogdanski (Warren, Gorham & Lamont)
- *Quantifying Marketability Discounts* by Z. Christopher Mercer, ASA, CFA (Peabody Publishing, LP)
- Studies by Partnership Profiles (See the order form at the end of the Court Cases, Revenue Rulings, Partnership Act, and Order Form booklet.)

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