

IRS Defends \$2 Billion Tax Dispute with Bill Davidson's Estate

by Frank L. Brunetti on September 9, 2013

The Internal Revenue Service is not backing down on a tax dispute claiming that the estate of the late Piston's owner Bill Davidson owes more than \$2 billion in estate taxes. The agency said the large estate bill is the result of Davidson's misuse of gift tax law and his underpayment for sizable gifts made to family members. The agency is also disputing the value of stocks put in trusts for his heirs.

Davidson's estate representatives contend that they do not owe the IRS anything more than what they have already paid in estate taxes, and the dispute is likely to play out in court as both parties are unwilling to concede. The estate asserts that the federal tax agency has greatly inflated the tax bill - which is approximately \$2.8 billion, according to the Detroit Free Press. However, the agency fired back in a U.S. Tax Court in Washington, and said that Davidson failed to report on large gifts and did not properly value certain investments passed on to beneficiaries.

For instance, the agency argues that Davidson failed to use the same standards and methods of establishing value of stocks that the IRS uses. In addition, it charges that Davidson's life expectancy was a key determination in establishing the value of self-canceling installment notes, the newspaper reports. With these notes, Davidson could essentially transfer assets to family members, who would make payments on the assets while Davidson lived. After his death, the family members would own the assets outright.

Although physicians gave Davidson a clean bill of health in the months before his death and presumed that he had several years left in his life expectancy, the agency - which uses life expectancy to determine whether payments are taxed or considered gifts - claims that these amounts are taxable.