

Lynne N. Clark, P.C.

A Virginia Professional Corporation
Attorney and Counselor at Law

7003 Backlick Court, #100
Springfield, VA 22151
Admitted in Virginia and D.C.

Tel 703-256-7900
FAX 703-256-7902
email: lynne@lynnenclark.com

REPORT OF COUNSEL

February 2017

The Real Unsinkable Molly Brown

Debbie Reynolds, Hollywood legend, died recently at 84. In her lifetime she went through three husbands and several fortunes. She worked in many media over decades. She was resilient - the real unsinkable Molly Brown.

To younger audiences that may not have known her, she introduced herself as Princess Leia's mother.

Debts related to her business ventures required her to sell her collection of Hollywood memorabilia. The pre-auction estimate put the value of the collection at about \$11 million; however, the collection generated \$20-\$30 million more than the auction estimate. The amount in excess of the sum necessary to payoff Debbie Reynold's debts and estate taxes, will fund the trust that is the basis of her estate plan. The likely beneficiaries of the trust are her son, Todd Fisher, and granddaughter, Billie Lourd.

The Carrie Fisher Estate

Debbie Reynolds daughter, Carrie Fisher, died the day before her mother. It is not known what type of estate plan, if any, Carrie Fisher had in place at her death. It is assumed that her only daughter, Billie Lourd, is her primary

and perhaps only heir, but this has yet to be confirmed.

While the value of everything associated with Princess Leia has tripled in value since her death, it is ironic that Carrie Fisher never managed to cash in on her Star Wars merchandising rights. She signed away the rights to the Princess Leia image to Lucas Film early on. Those rights were sold to Disney.

Carrie Fisher owned 0.0025% of the profit of the original Star Wars. Over the years she realized about \$9 million from the profit of the first Star Wars film. She was paid a few million dollars for appearing in the last Star Wars film. It is not yet clear how much income the estate may generate from the Star Wars films. Her estate is estimated at \$25 million.

One thing is certain, the attorneys and accountants for the Carrie Fisher Estate will carefully watch the trial in the U.S. Tax Court which pits the IRS against the Estate of Michael Jackson. The trial is set to begin in February 2017, in Los Angeles.

Impact of the Michael Jackson Trial on Celebrity Estates

At the time of Michael Jackson's death, it was widely assumed that he was more or less broke and deeply in debt. That debt was estimated at \$500 million.

A decedent's estate is valued for estate tax purposes at the date of death. When the Executors of the Jackson Estate filed the federal estate tax return, they claimed an estate of \$7 million. The value of the name and likeness of Michael Jackson was estimated at \$2,105. The low value placed on the decedent's name and likeness was due to the damage Jackson did to his own name and likeness during his lifetime.

The IRS asserted that the value of the estate was more like \$434 million.

In the years between 2009 and 2014, the estate paid off substantial debt and managed to generate \$1.178 Billion. The songs owned by Michael Jackson, a resurgence in popularity of his music, films about his life and a Cirque du Soleil show about Michael Jackson generated this income.

The IRS claims that the tax owed to the United States is \$525.6 million and a gross valuation misstatement penalty of \$205.1 million plus interest.

Surprisingly, the U.S. tax code does not directly address the issues involved in the Estate of Michael Jackson. The situation where the estate generates hundreds of millions of dollars in excess of financial projections at the decedent's date of death.

The IRS and the Estate of Jackson were unable to negotiate a settlement on the major issues.

When a taxpayer does not have the money to pay a tax assessed by the IRS or does not wish to pay and sue for a refund in U.S. District Court, the only the only litigation forum available to the taxpayer is the U.S. Tax Court. The Executors for the Estate of Jackson have hired the top tax litigators in Los Angeles - Hochman, Salkin, Rettig, Toscher & Perez.

Because of the huge dollars involved, it is likely that the losing side at the Tax Court will appeal the case to the 9th Circuit Court of Appeals.

The trial, the decision by the U.S. Tax Court in the Estate of Jackson and any appeals will be closely watched by financial and legal advisors to those in the entertainment industry.

We appreciate your referrals!