

 **43<sup>RD</sup> ANNUAL  
CONFERENCE**  
JUNE 23-26, 2019

# **IPT-CON** **AN INTERGALACTIC TAX EXPERIENCE**

The Empire Becomes the Galactic Empire, Becomes  
the Rebel Alliance, Becomes the New Republic,  
Becomes the First Order, Becomes the Resistance –  
A Change of Ownership and Its Impact on Taxpayer  
Property Records

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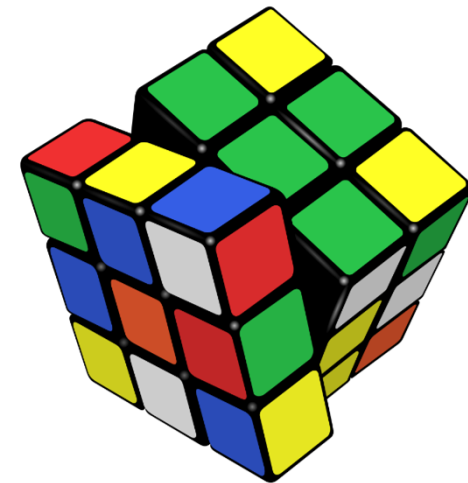
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# Learning Objectives

- Evaluate steps to take to successfully transition, for personal property tax purposes, in a corporate acquisition.
- Identify and address common personal property issues such as obtaining, auditing, and correcting the target company's personal property list.
- Interpret transaction pricing and structuring issues, including implications of the type of consideration paid, post-closing adjustments, and various types of purchase price allocations.
- Apply standards of value and premises of value in post-acquisition valuations.
- Effectively explain acquisition information to assessment authorities.

# Business Combinations

- **What kind of business combination?**
  - Asset Acquisition
  - Legal Entity Acquisition
  - Rebel Alliance
  
- **Review the Agreements**
  - Merger or Acquisition
  - Tax Matters



# Property Tax Management

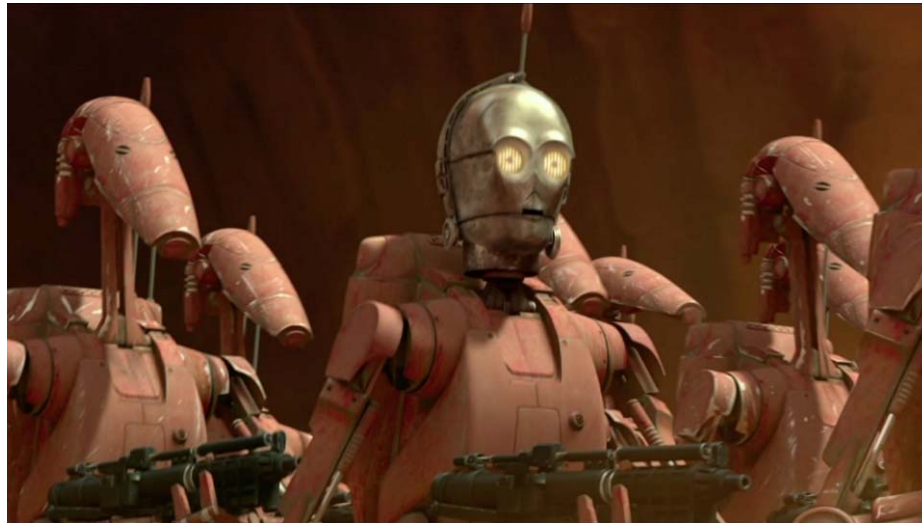
## How is property tax function managed?

- In-house employees being integrated.
- Out-source vendor and contract terms.
- What property tax function?

# Property Tax Management

**What resources are currently being utilized?**

- Headcount or Hours
- Software
- Droids





# Asset Acquisitions

- **What are the assets acquired?**
  - Real property
    - Transfer reporting requirements
      - CA BOE 100-B Change in Ownership
      - Other jurisdictions' requirements
  - Personal Property
  - Leased Property
  - Intangibles

# Asset Acquisitions

## Where are the assets?

- Domestic
- International
- Intergalactic



## How will the assets be valued?

- Historic
- Purchase price



# Property Tax Compliance

**Obtain copies of tax calendar, tax returns (with asset listing and supporting work papers) and payments.**





# Compliance Questions

- Who prepares the returns?
- Who provides the data used for returns?
- Who reviews returns?
- Who is authorized to sign returns?
- Does the tax or accounts payable department process property tax payments?
- Is the landlord or tenant responsible for leased property reporting and payment?

# Property Tax Audits & Appeals

**Obtain copies of prior audit findings & list of outstanding audits and appeals**

- What are the issues?
- What is the status of document requests?
- Who is authorized to represent the taxpayer?



## The Purpose Of Valuation

- Traditional rules-based accounting continues to shift toward principles-based measurements which allows management to use judgment to present financial statements that conform to the interests of their audience: investors, lenders, regulators, suppliers, customers, employees, and tax authorities.
- For exact sciences, a dual outcome is not acceptable. Valuation is not an exact science and neither, it turns out, is accounting.

# Acquisition Value Indications

- Pre-acquisition due diligence
- Acquisition financing collateral
- GAAP acquisition accounting
- Federal income tax purchase price allocation
- Regulation compliance
- Press releases
- Analyst calls
- Property tax reporting

## Acquisition Standards of Value

- Strategic value
- Fair value
- Fair market value

## Acquisition Premises of Value

- In exchange
- In use – to market participants
- In use – to this acquirer



## Purchase Price Transactions

- Announced price (working capital, earnout, cash, liabilities)
- GAAP vs. tax
- Post closing provisions
- Buyer-specific
- Reported price vs. fair market value
- Imprecise property listing
- Unit of account
- Contribution to value
- Nature of goodwill

# Reasons to Allocate Purchase Price to Tangible and to Intangible

- Transfer tax
- Income tax
- Property tax
- Loan collateral
- Regulatory
- Reorganization
- Divestiture/abandonment
- Property holding company

# What About The Property Listing

- What is listed
- What is not listed
- Condition
- Historical cost
- Useful economic life
- Taxable vs. nontaxable
- Primary vs. contributory
- Existing vs. future
- Unit of account

## Special Purpose Property

- Summary method vs. unit method.
- Economically integrated with other properties.
- Location dependent.
- All valuation approaches may not apply.
- Reconcile value indications.

# Cost Approach to Value

Historical Cost  Trend Factor  **Reproduction Cost New**

**Reproduction Cost New**

 **(Physical Depreciation)**

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 **Reproduction Cost New Less Depreciation**

 *(Functional Obsolescence)*

 *(Economic Obsolescence)*

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 **Value Indication**



## The Tax Assessor

- Reconcile acquisition value indications.
- Allocate price to financial, tangible, and intangible.
- Reconcile prior property listing to new
- Identify economically integrated property.
- In all valuation methods, consider:
  - Condition
  - Age
  - All forms of obsolescence



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