

Larry's Tax Law

The Battle Between the Estate of Michael Jackson and the IRS Continues

By Larry Brant on 6.15.16 | Posted in Estate Tax, Internal Revenue Service, Tax Procedure

In March 2014, I reported on the all-out battle that was ensuing in the U.S. Tax Court between the IRS and the Estate of Michael Jackson [over the value of the late pop singer's estate](#). It began in 2013, when the estate petitioned the court, alleging that the Service's assessment, based upon the assertion that the estate underreported its estate tax obligation by more than \$500 million, was incorrect. In addition, the estate challenged the IRS's additional assessment of almost \$200 million in penalties. Keep in mind that although these numbers are staggering, they do not include the estate's potential state of California estate tax obligations.

If Michael Jackson could instruct his estate lawyers about case strategy, I am sure he would be recounting the lyrics from his 1982 smash hit **Beat It**:

Just beat it, beat it, beat it, beat it

No one wants to be defeated

Showin' how funky and strong is your fight

It doesn't matter who's wrong or right

Just beat it, beat it

Unfortunately, the case is not going the way Michael Jackson would have wanted it to go. Rather, victory appears to be nowhere in sight for either the taxpayer or the government.

It is now well over two years after the battle started. It continues to rage. Neither the IRS nor the estate is taking the tack from the title of the late pop singer's 1991 hit song, **Give In to Me**.

In July 2014, the IRS added a little more pain to the estate's already existing misery. It took a deeper look at the value of the estate's ownership rights to the Jackson Five master recordings and the accrued royalties. As a result, the IRS increased the assessment by almost \$29 million. Ouch! I am confident Michael Jackson would have responded to the IRS, quoting from his smash hit **Leave Me Alone** that appeared on the 1987 album **Bad**:

Leave me alone, stop it!

The IRS either isn't hip enough to remember the late pop singer's hit, **Leave Me Alone**, or it simply isn't listening! Last week, it asked the court to add another \$53 million in value to the estate.

The battle continues roaring strong. The IRS, in its quest to collect more taxes and penalties, appears to be leaving no stone unturned. I apologize in advance to my readers, but I have to quote Michael Jackson one more time; this time from his hit song **Scream** that appears on the 1995 album **HIStory: Past, Present and Future, Book I**:

Tired of injustice

Tired of the schemes

The lies are disgusting

So what does it mean

Kicking me down

I got to get up

As jacked as it sounds

The whole system sucks

Trial in this case is currently scheduled for February 2017. It continues to be interesting. Stay tuned! I will follow up if the case resolves or takes another interesting turn.

Tags: Michael Jackson Estate, Tax Penalties, United States Tax Court