



BOOK REVIEW

Valuing Pass-Through Entities

By Eric J. Barr, CPA/ABV/CFF, CVA, CFE
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Eric J. Barr is a founder and co-managing member of Fischer Barr & Wissinger, LLC, in Parsippany, New Jersey. Mr. Barr has more than forty years of public accounting experience, specializing in business valuation, litigation support, and traditional accounting services. Mr. Barr is a member of *The Value Examiner* Editorial Board. In this book, Eric brings his wealth of knowledge and understanding of business valuation to the challenging task of valuing pass-through entities. This book provides the reader with a fundamental review of the business valuation process and an effective approach to dealing with pass-through entity (PTE) issues.

OVERVIEW

Valuing Pass-Through Entities begins with a comprehensive review of the business valuation process. This includes an informative discussion of the various definitions of value. The book takes the reader through a historical and enlightening journey of the federal

taxation of C corporations, pass-through entities, and of individuals. The reader is presented with a thorough and analytical approach (Modified Delaware MRI Model) to effectively value pass-through entities. The book concludes with interesting, useful, and practical case studies.

THE JOURNEY BEGINS

Eric Barr leads the journey through what he describes as the “PTE conundrum” with a fundamental review of the valuation process. Various standards of value are discussed. Chapter Five, in particular, presents a very readable and interesting chapter on the value to the holder standard of value. This concept will become increasingly important as various state family courts gravitate to this standard of value. The early chapters provide a rich history of the taxation of various entities and individuals over time. This history offers the reader a unique insight into the taxation and valuation issues surrounding pass-through entities.

UTILIZING THE MDMM

The middle chapters of this book take us through an effective and comprehensive approach to valuing pass-through entities. Barr’s focus is on the Delaware MRI Model, with some refinements. He refers to his model as the *Modified Delaware MRI Model* (MDMM). The book includes numerous and understandable examples of applying the MDMM under several different scenarios. While the book presents a strong theoretical discussion regarding the valuation of PTEs, the examples are very practical and instructional. This book provides strong guidance on how to value PTEs in a rational and comprehensive manner. Interestingly, the author applies the MDMM to the market approach, as well as the income approach. Chapter 11 delves into the ramification of state tax issues and how valuation can change from one state to the next, depending on tax structure. The book also includes a detailed discussion of the various U.S. Tax Court cases involving pass-through entities.

APPLICATION TO CASE STUDIES

The last part of the book presents case studies that are both interesting and very informative. The case studies alone are an instructional read for both experienced and new business valuation professionals. The practicality of the cases is very helpful. Eric utilizes these practical case studies in a manner that is both educational and quite interesting for the reader. These case studies bring theory and constructive application together in a cohesive presentation.

RECOMMENDATION

Overall, the book provides valuable insight and advice on how to value pass-through entities. Tax-affecting issues that started in the U.S. Tax Courts (*Gross, Heck, Adams, Wall, Dallas, and Gallagher*) have now also become highly publicized at the shareholder dispute level (*Kessler-Delaware MRI*), and the family court level (*Bernier, MA*). This book provides the business appraiser with a comprehensive approach in dealing with the pass-through entity issues. I highly recommend this book to all business appraisers. **VE**

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