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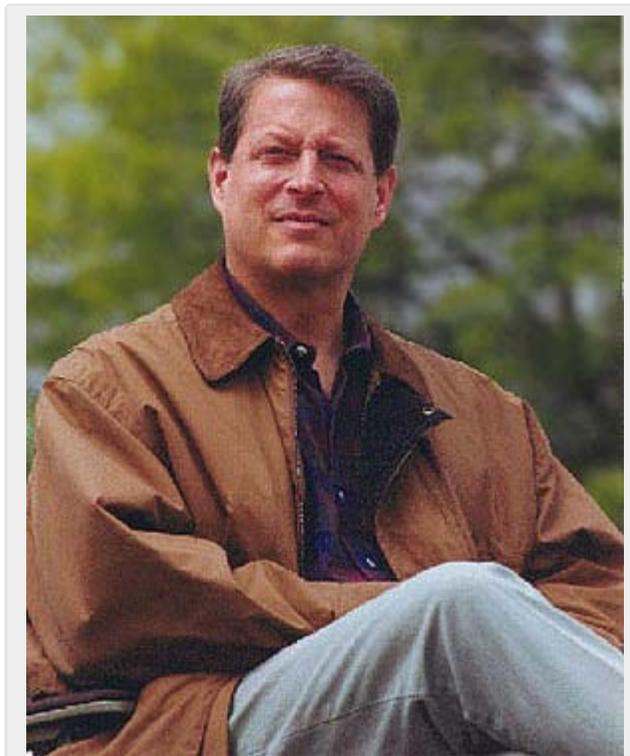
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### Inconvenient Truth: Al Gore's Al Jazeera Current TV Deal

Al Jazeera is paying about \$500 million for Current TV. That means former U.S. Vice President Al Gore's stake in the deal may net him [\\$70 million](#). Not surprisingly, much remains cloaked behind the deal's burqa. Some are criticizing Mr. Gore, who shared the 2007 Nobel Peace Prize for his fight against global warming.

Gore has said investors in oil and gas companies that ignore the cost of carbon dioxide emissions and other greenhouse gases are making a mistake similar to investing in sub-prime mortgages. Some wish he had sold to Glenn Beck rather than lining his pockets with money from Al Jazeera, the cable channel partially funded by oil-rich Qatar. See [Glenn Beck Tried To Purchase Current TV](#). "It's reeking with irony," said Jeffrey



Al Gore (Photo credit: Wikipedia)

Sonnenfeld, Senior Associate Dean at Yale School of Management. “It seems to be at least a paradox in terms of his positions on sustainability and geopolitics.” See [Al Gore’s Payday From Oil-Rich Qatar ‘Reeking With Irony’](#).

Yet money is money, and most Americans understand profit motive, especially given Mr. Gore’s makeover from politician to businessman. Mr. Gore is on the board of Apple, an adviser to Google and a partner at Kleiner Perkins Caufield & Byers with stakes in Amazon.com, eBay and Procter & Gamble. How will Mr. Gore’s net shake out?

Regardless of whether one lauds or criticizes Mr. Gore’s actions in the sale to Al Jazeera, he is likely to pay U.S. taxes influenced in part by the fiscal cliff deal. Current TV has \$41.4 million in debt and preferred holders with first dibs on \$99.5 million, according to a 2008 regulatory filing. Current TV appears to be an LLC, and that will help Mr. Gore enormously.

A [proprietorship](#), [partnership](#), or [limited liability company](#) (LLC), can sell with a single level of tax. For corporations the tax rules are more complex. Most are [C corporations](#) taxed at up to 35%. Corporate distributions are then subject to a second tax to shareholders. [S corporations](#) are taxed more like partnerships. Structure matters.

Buyers want to buy assets since buying stock carries liabilities. Buying assets also gives buyers a new tax basis and higher basis means more depreciation deductions. Sellers, on the other hand, prefer selling stock because of taxes. If a C corporation sells assets and distributes proceeds to shareholders, the combined corporate and shareholder taxes exceed 50%. A shareholder’s sale of stock might incur one tax as low as 15%.

How will Mr. Gore and his compatriots do? Initially named INdTV Holdings, the Current TV LLC was founded in 2002 by Mr. Gore and businessman [Joel Hyatt](#). They appear to be shrewd investors. The LLC should facilitate a single tax on the deal, not the two taxes common to more established businesses. LLCs are tax **reporting** entities but the members pay tax on their share.

**Follow the Money.** When a business is an LLC, members can sell their interests or the LLC can sell its assets, but all sales are not alike. If an LLC sells assets, the purchase price is paid to the entity. To compute taxes you need to know the tax basis of the assets to the entity. The tax basis is the purchase price the company paid, less depreciation, plus certain adjustments.

If Mr. Gore and other members sell their interests, their own tax basis in their interests will count. But whether Al Jazeera is buying assets from Current TV or membership interests from Mr. Gore and others, this should be a nice single-tax payday. Not every business seller is so lucky.

*Robert W. Wood practices law with [Wood LLP](#), in San Francisco. The author of more than 30 books, including *Taxation of Damage Awards & Settlement Payments* (4th Ed. 2009 with 2012 Supplement, [Tax Institute](#)), he can be reached at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*