Proposed Tax Regulations Threaten Valuation Discounts in Wealth Transfer Planning

Summer 2016

The U.S. Treasury Department recently proposed regulations addressing the use of family-controlled entities in wealth transfer planning. In addition to providing important business ownership benefits, family-controlled entities (partnerships, corporations, and LLCs) have been popular wealth transfer planning vehicles because their values can often be discounted for tax purposes. If there are certain restrictions on the right to liquidate the company when an interest is transferred to another family member, a taxpayer can reduce the value of the interest and therefore reduce estate and gift taxes. However, the new regulations would ignore many commonly-used restrictions when valuing interests in a family-controlled entity, resulting in higher values for gifts and estates, and therefore increased estate and gift taxes.

If adopted in their current form, the regulations would apply to all family-controlled partnerships, corporations, and LLCs—both active businesses and investment entities. The proposed rules could go into effect as early as December 2016.

If you own an interest in a family-controlled partnership, LLC, or corporation, your planning must be considered in the light of the potentially higher tax exposure. In addition, you might consider making a transfer to another family member or a family trust before the new, less favorable rules take effect. Contact a member of Arnall Golden Gregory's Private Wealth practice to discuss how the possible changes affect your estate plan. We are glad to assist.

Contacts

Bertram L. Levy, Chair
404.873.8640
bertram.levy@agg.com

Suzanne Tucker Plybon, Vice-Chair
404.873.8730
suzanne.plybon@agg.com

Kathryn Baldwin Hecker
404.873.8530
kathryn.hecker@agg.com

Michael L. Van Cise
404.873.8790
michael.vancise@agg.com

Jeremy T. Ware
404.873.7006
jeremy.ware@agg.com

J. Grant Wilmer, Jr.
404.873.8686
grant.wilmer@agg.com

Tyson Willis*
404.873.8142
tyson.willis@agg.com

** Not yet admitted in Georgia.*

not *if*, but *how*.®

About Arnall Golden Gregory LLP

Arnall Golden Gregory, a law firm with more than 150 attorneys in Atlanta and Washington, DC, employs a "business sensibility" approach, developing a deep understanding of each client's industry and situation in order to find a customized, cost-sensitive solution, and then continuing to help them stay one step ahead. Selected for The National Law Journal's prestigious 2013 Midsize Hot List, the firm offers corporate, litigation and regulatory services for numerous industries, including healthcare, life sciences, global logistics and transportation, real estate, food distribution, financial services, franchising, consumer products and services, information services, energy and manufacturing. AGG subscribes to the belief "not if, but how.®" Visit www.agg.com.

Atlanta Office
171 17th Street NW
Suite 2100
Atlanta, GA 30363

Washington, DC Office
1775 Pennsylvania Ave., NW,
Suite 1000
Washington, DC 20006

To subscribe to future alerts, insights and newsletters: **http://www.agg.com/subscribe/**