Alert
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Private Client Services Alert
News Concerning Recent Trust and Estates Issues

IRS Proposed Regulations Attack Valuation Discounts for Family Transfers — The Clock Is Now Ticking

The U.S. Department of the Treasury and the IRS have just issued anticipated proposed regulations that, if made final, would severely limit the ability of taxpayers to transfer interests in family limited partnerships and similar entities using valuation discounts.

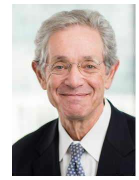
As an example, under existing law, parents could create a limited partnership, transfer to the partnership valuable assets and then transfer to their children limited partner interests. If, by reason of the partnership structure, these limited interests are illiquid and have no voting rights, a qualified, independent appraiser would take these limitations and other factors into account in rendering an opinion as to the value of the interests transferred, and might easily reflect a discount from the value of the partnership's assets of 35 percent or more.

The proposed regulations seek to eliminate what are perceived as abuses in this area of wealth transfer.

The regulations will not become effective until after they are made final, but this may occur as soon as December 1, 2016, the date on which hearings have been scheduled.

If you are considering the transfer of any interests in family partnerships or other family business entities, you should consider acting promptly, as valuation discounts may soon no longer be available or may be severely curtailed.

Cozen O'Connor Private Client Services team would be happy to discuss the proposed regulations with you and discuss your personal estate and business planning.



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