



TAX ADVISOR

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Providing accurate, innovative and timely tax and business advice since 1986.

PROBATE POINTERS

A Qualified Disclaimer can work wonders after the death of a decedent. A Qualified Disclaimer can permit post death estate planning. It can maximize

the use of the unified credit, balance the assets to be transferred, clean up trust provisions, and correct scrivener's errors.

Recent changes in case law require that a Qualified Disclaimer be reviewed carefully with respect to federal and state tax law.

SPOTLIGHT ON LLC'S

One of the most common inquiries we receive from our clients in the Real Estate field involve how to structure a "LLC" or Limited Liability Company. LLC's are commonly used to own real estate and protect the owner against environmental liabilities.

Much of the income tax complexity of LLC's involve multiple member LLC's taxed as partner-

ships.

Admission of a new member into an LLC can be either:

- (1) taxable as ordinary income,
- (2) taxable as capital gain ,
- (3) or be tax-free.

Further, the admission of a new member may be deductible to the entity.

If existing debt is deemed

to be "shifted" this can result in additional income taxes to the existing members.

Understanding the income tax consequences on the formation of LLC's, the investment in LLC's, the distributions from LLC's and debt incurred by LLC's is paramount for practitioners. In a later issue we will explore the income tax and state law differences between managing members



Providing tax and business advice to professional advisors

- ◆ Income Tax Planning
- ◆ Partnerships
- ◆ LLC's
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Coming in September

- ◆ Family Limited Partnerships after *Strangi II*
- ◆ Are Family Limited Partnerships Tax Shelters?

DRAFTING MISTAKE MADE IN FAMILY PARTNERSHIP

Where the assets of the decedent were transferred from his revocable trust to the Family Limited Partnership, the full

value of the property was includible in the estate of the decedent where the decedent retained possession, control, and enjoy-

ment of the income and continued to live in the property rent free.