Time May Be Running Out to Take Advantage of Family Valuation Discounts

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Valuation discounts are commonly used in business planning. When transferring an interest in a corporation, LLC or partnership, the value of such interest can be discounted if it is a minority interest in the business or if there are any restrictions imposed on the owner in making subsequent transfers of the interest in the business. In the context of estate planning, valuation discounts play an important role in limiting the value of amounts transferred to family members through gift or sales transactions when using family LLCs or family limited partnerships.

Catherine Hughes, the Estate and Gift Tax Advisor to the Office of Tax Policy for the US Treasury Department, recently indicated that the Department of Treasury is working on tax regulations addressing the rules involving the availability of valuation discounts for transfers of business interests among family members.

Information regarding the scope or type of limitations such proposed regulations may place on valuation discounts or when the regulations will be released or become effective is not available at this date. However, based on budget proposals that have been suggested in the Department of Treasury's "Greenbooks" over the last several years, the Internal Revenue Service's objective in creating such regulations is to restrict or even eliminate the use of valuation discounts in family controlled entities. It is anticipated that the proposed regulations could be released as soon as late August or early September of this year.

If you are considering making a transfer of an interest in a family LLC or partnership, now is an appropriate time to discuss with one of the members of the Estate and Succession Planning Practice Group to take advantage of any valuation discount that may be available prior to the issuance of the Proposed

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