

MINDING THE SHOP:

**CREATIVE PLANNED GIVING
STRATEGIES FOR
BUSINESS OWNERS**

TOM AND JERRY FLIP CRUT

- Facts:
 - Donors to establish charitable remainder unitrust, funded with highly appreciated, closely-held C Corporation securities
 - Husband Donor nearing retirement is one of three shareholders
 - Corporation shares subject to buy-sell agreement giving company First Right of Refusal and containing provision for determining value at which shareholders may transfer shares (agreement does not contemplate charitable gift of shares)

TOM AND JERRY FLIP CRUT (CONT'D)

- Facts:
 - Company plans to redeem shares at a value of \$14 per share, pursuant to terms of buy-sell agreement
 - Donors plan to claim deduction based on value of their shares as determined under buy-sell agreement
 - Donors assure Trustee company will offer to redeem shares after trust is funded

TOM AND JERRY FLIP CRUT (CONT'D)

- Issues:
 - C Corporations Generally
 - Redemption Process & Self Dealing
 - Qualified Appraisal Rules
 - Prearranged Transaction
 - Unrelated Business Income

BETTY AND BARNEY RUBBLE

FLIP CRUTS

- Facts:
 - Donors want to make a gift to hospital using their membership interests in a limited liability company (LLC).
 - Donors want to retain an income stream for their lifetimes and the lifetimes of their five children.
 - Donors have been discussing succession planning for continuation of the family business, the LLC, with their attorney.

BETTY AND BARNEY RUBBLE

FLIP CRUTS

- Issues:
 - Limited Liability Companies generally
 - Gifts of LLC Interests

BETTY AND BARNEY RUBBLE

FLIP-CRUTS (CONT.)

- Issues:
 - Membership Agreements / Business Continuation Agreements
 - Provisions Affecting Transfer of Ownership Interests to Charity
 - Provisions Affecting Post-Gift Redemption or Transfer by Charity
 - Avoiding Step-Transactions
 - Valuation Issues
 - Succession Planning

BETTY AND BARNEY RUBBLE

FLIP-CRUTS (CONT.)

- Issues:
 - Redemption
 - Qualified Appraisal / Valuation

FOGHORN LEGHORN FLIP-CRUT

- Facts:
 - Donor owns 47% of outstanding shares of closely held S Corporation, serves as Chairman of Board of Directors
 - Donor's ownership interest valued at approximately \$4 million
 - Board is considering an offer to sell the corporation to a larger competitor
 - Company shareholders meet in three weeks where vote to approve sale expected

FOGHORN LEGHORN FLIP-CRUT

(CONT.)

- Facts:
 - Donor's shares highly appreciated and desires to avoid capital gains tax resulting from sale
 - Donor wishes to place shares in charitable remainder unitrust to benefit several charitable organizations.

FOGHORN LEGHORN FLIP-CRUT

(CONT.)

- Issues:
 - S Corporations Generally
 - Gifts of S Corporation Stock
 - Anticipatory Assignment of Income
 - Qualified Appraisal

GEORGE AND JANE JETSON GIFT ANNUITY

- Facts:
 - Husband and Wife (Donors) each own 50% partnership interest in family limited partnership (FLP) owning/managing multiple duplex units near major university campus
 - University seeking acquisition of neighboring tracts of land for future campus facility expansion
 - University approached Donors with offer to purchase a duplex unit from FLP at \$2,500,000 *well above market value*

GEORGE AND JANE JETSON GIFT ANNUITY (CONT.)

- Facts:
 - FLP basis in duplex is \$300,000
 - Donors historically philanthropic and desire to benefit Charity through transaction in most tax efficient manner possible
 - After consideration of multiple options and on advice of counsel, Donors elect to convey a 40% undivided interest in duplex from FLP to Charity in exchange for gift annuity naming Donors as life annuitants

GEORGE AND JANE JETSON GIFT ANNUITY (CONT.)

- Issues:
 - Overview of Partnership Entities
 - General Partnership
 - Limited Partnership
 - Family Limited Partnership
 - Limited Liability Partnership

GEORGE AND JANE JETSON GIFT ANNUITY (CONT.)

- Issues:
 - Gifts made by Partnership Entities
 - General tax treatment
 - Adjustment of partners' bases
 - Limitation on deduction
 - Distribution followed by transfer

GEORGE AND JANE JETSON GIFT ANNUITY (CONT.)

- Issues:
 - Partial Interest Rule
 - Unrelated business taxable income
 - 10% rule concerns