

## insights

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TYPES NOT MAPPED YET July 28, 2020 | TTR not mapped yet | Steve B. Gorin

# Pass-Through Entities Held by Trusts; Formula Transfers in Estate Planning; Business Gifts

### Webinar

The first part of this webinar summarizes the consequences of trusts owning interests in S corporations and partnerships, including planning for and reporting current operations and the sale of the business.

Next, when making estate planning transfers of business interests, one risks an IRS audit imposing gift tax consequences, because valuation involves judgment calls with which the IRS may disagree. To try to protect against adverse audit results, taxpayers may use formulas to define their transfers. Some formulas have protected taxpayers; others have not. Two 2020 Tax Court cases found certain formula transfers fatally flawed.

Finally, when selling a business, a business or its owners may wish to share some of the bounty with employees or other service providers. A 2020 Tax Court case found payments to a business associate to be compensation to that associate rather than a gift.

Why set yourself up for litigation? Consider how (1) declaring compensation and grossing up an employee for taxes and deducting the compensation income, compares with (2) gift tax consequences. If a client is really serious about wanting to provide such payments when selling a business, consider whether planning to shift equity may be tax-efficient.

### CLE

The live presentation of this webinar was approved for 1.8 hours of general CLE credit in Missouri and 1.5 hours of general CLE credit in California, Illinois, and Texas. CLE credit is no longer available for this recording.

Presenter:

[Steve Gorin](#)

*\*Please note that this is a 90-minute webinar*

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*For technical materials supporting the slides, please see [Steve's newsletter](#).*

*Steve's current materials, [Structuring Ownership of Privately-Owned Businesses: Tax and Estate Planning Implications](#), are available by emailing [sgorin@thompsoncoburn.com](mailto:sgorin@thompsoncoburn.com).*

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