

## Powell Case Law Tax Effects



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*Estate Planning*

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*Real Estate and Business Transactions*

*Business Planning and Formation*

*Mergers and Acquisitions*

*Intellectual Property/Trademark*

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Recent case law has gone against the taxpayer, known as the “Powell Case”. The IRS argued that a gift of a limited partnership interest to a certain irrevocable trust was included in the estate of the person who made those gifts (the “Donor”) for estate tax purposes because the Donor controlled certain aspects of the entity serving as the general partner of the limited partnership. This perceived control included the general partner’s ability to withhold distributions and to unilaterally dissolve the limited partnership, as well as holding a power of attorney to make certain decisions for limited partners.

Because of this perceived control retained by such Donor, the Court ruled against the Donor and found that such limited partnership interest was includible in the Donor’s estate for estate tax purposes, which increased the amount of estate tax owed by the Donor’s estate.

Thus, we have developed an amendment for limited partnerships, LLCs, and corporations to address the issues raised by the Powell Case. If your limited partnership, LLC, or corporation is not owned solely by you and your spouse (e.g. owned by or with your children, trust(s), or others), then we strongly recommend having us update your documents with this proposed amendment. The fee for the amendment is \$450.

If you have any questions or want to discuss this issue further, please contact us.

### **Powers of Attorney Documents for Your Children**

School is starting soon and we want to remind you of the importance of a Healthcare Power of Attorney for your children who are 18 or over. Once your child reaches 18, their doctor no longer has the authority to speak with you about their medical issues without their consent. Just as you have addressed your own personal planning, it is very important that your children have financial and healthcare powers of attorney prepared giving you the authority to handle their affairs should they be unable to do so. If your children are away at college, it can become critical that you are able to make healthcare or financial decisions for them and, most importantly, to be able to communicate with your child’s doctor(s) or school in case of illness or injury.

### **End of Year Planning**

Yes, it’s only July but think of how quickly the first half of the year went by! It’s time to think about end of year business and/or estate planning. If you feel you need updates to your planning, have questions, or want to make changes, please give us a call and we can get you scheduled for a meeting or teleconference before the rush hits. Normal fees apply to all consultations.

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