Family Business Entities: Avoiding the Land Mines

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Gene Wolf Kemp Smith LLP gene.wolf@kempsmith.com www.kempsmith.com

221 N. Kansas Suite 1700 El Paso, TX 79901 915 533-4424 919 Congress Suite 1305 Austin, TX 78701 512 320-5466

3800 E. Lohman Ave. Suite C Las Cruces, NM 88011 575 527-0023



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Overview

- Typical family partnership
- To LP or LLC, that is the question
- Framing the issue—transfer taxes
- The partnership's role in the estate plan
- Treasury's thrust
- Planners' parry
- Course correcting



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Typical family partnership



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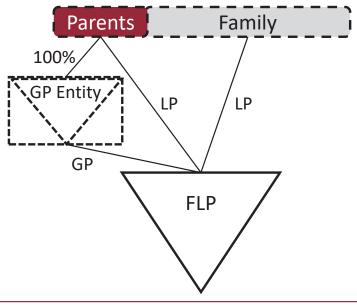
Typical structures

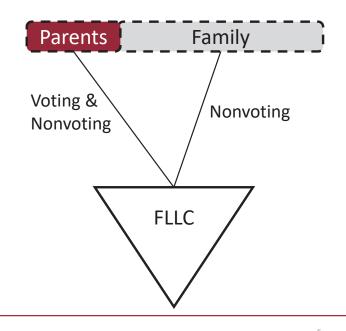
- An LP or LLC that is 100% family owned
- Parents usually control the partnership, owning GP Entity or all voting interests
- GP Entity is either a corporation or LLC taxed as a C corp., S corp., partnership, or DRE
- Parents own some or all LP interests or nonvoting interests
- Family, either directly or through trusts, own LP interests or nonvoting interests



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Typical structures





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Typical structures

Sometimes

- Third-party (3P), such as a charity, owns 1% or more of LP interests or nonvoting interests
- GP Entity or voting interests controlled by donees (i.e., children) rather than donors (i.e., parents)
- Partnership has two or more classes of economic interests—a preferred partnership

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