

Family Business Entities: Avoiding the Land Mines

29th Annual UT Law
LLCs, LPs, and 2019 Partnerships
July 23-24, 2020

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

Overview

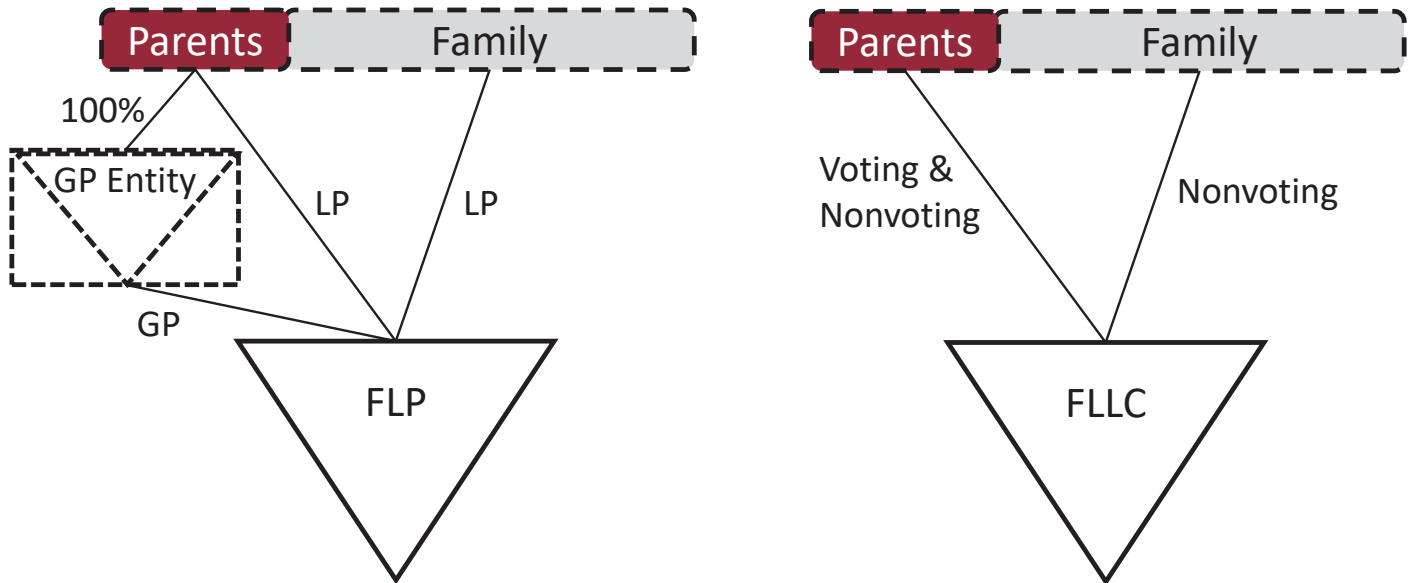
- Typical family partnership
- To LP or LLC, that is the question
- Framing the issue—transfer taxes
- The partnership's role in the estate plan
- Treasury's thrust
- Planners' parry
- Course correcting

Typical family partnership

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

Typical structures



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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First appeared as part of the conference materials for the
29th Annual LLCs, LPs and Partnerships session

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