



Recession Provides Unprecedented Opportunities for Tax and Estate Planning

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Ringel Business Valuation Services offers a broad array of valuation and real estate appraisal services, including closely held businesses, bankruptcy, litigation support, marital dissolution, gift and estate, promissory notes, undivided interests in real property and commercial and residential real estate.

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The recent dramatic declines in the values of real estate and marketable securities provide unique opportunities for your clients, with your planning assistance, to reduce the value of their taxable estate.

In this illustration, the financial and real estate crisis enabled a father to increase his gifts of limited partnership interests to his two children by more than 82% while avoiding the payment of gift taxes.

Gifts in a Bull Market



In 2006, Mr. Smith retained Ringel Business Valuation Services (RBVS) to value his noncontrolling, nonmarketable limited partnership (LP) interest in the Smith Family Limited Partnership (FLP). Smith wished to gift no more than the 2006 annual gift tax exclusion of \$12,000.

At the time, Smith held a 1% general partnership interest and a 59% LP interest. His two children each owned a 20% LP interest.

The FLP's sole assets were 3,750 shares of Goldman Sachs (GS) and an unencumbered 400-acre parcel of undeveloped land in Buckeye, Arizona.

- RBVS appraised the 400 acres at \$1.25 million as of December 31, 2006.
- The market value of the GS stock was \$750,000 as of December 31, 2006.

RBVS applied a blended control and marketability discount of 35% to Smith's LP interest and rendered a value conclusion of \$767,000 for the subject 59% LP interest, or \$13,000 per 1% interest.

As a result, Smith was able to transfer a 0.92% LP interest to each child. He would then own a 57.16% LP interest subsequent to the gifts.

Gifts in a Bear Market



In late 2008, during a recession, Smith again retained RBVS to value his 57.16% LP interest in the FLP. As in 2006, he wished to gift no more than the \$12,000 annual gift tax exclusion.

- RBVS appraised the 400 acres at \$750,000 as of December 31, 2008.
- The market value of the GS stock was \$350,000 as of December 31, 2008.

RBVS again applied a blended control and marketability discount of 35% to Mr. Smith's LP interest and rendered a value conclusion of \$408,694 for the subject 57.16% LP interest, or \$7,150 per 1% interest.

As a result, Mr. Smith was able to transfer a 1.68% LP interest to each child.

This example illustrates that the 45% decrease in value of assets held by a family limited partnership between 2006 and 2008 enabled Smith to increase the size of his tax-free annual gift to the children by 82% and to transfer assets and the future growth of those assets from his estate.

	12/31/06	12/31/08	Increase/ Decrease
Market Value of Assets	\$2 mil	\$1.1 mil	(45%)
Size of LP Interest Gifted to Each Child	0.92%	1.68%	82%
Value of Gift	\$12,000	\$12,000	