

# *Foulston Siefkin Estate Planning Issue Alert*

## *Estate and Gift Tax Proposed Regulations Limit Valuation Discounts*

September 19, 2016

by *Matthew Bish*

We have prepared this issue alert to notify you of a recent estate and gift tax development for which you or your clients may desire to take current action. Those affected by these changes should act quickly, as the window for addressing the problem is closing quickly.

### **PROPOSED REGULATIONS**

The U.S. Treasury Department recently issued proposed regulations designed to significantly limit valuation discounts when valuing family controlled entities for federal estate and gift tax purposes. The proposed regulations eliminate the lack of marketability and lack of control discounts which are one of the primary estate planning techniques used to reduce the value of an interest in a corporation, partnership or limited liability company for federal gift and estate tax purposes. These discounts can result in significant estate tax savings. Upon the publication of the final

Regulations, which we expect to be later this year, the ability to implement estate planning techniques designed to utilize lack of control and lack of marketability discounts will be significantly curtailed, if not eliminated.

### **PERIOD TO IMPLEMENT PLANNING TECHNIQUES**

The proposed regulations do not apply to transactions entered into prior to the issuance of the final regulations which we expect to be soon after **December 1, 2016**. As such, properly structured transactions (such as gifts or sales of non-controlling interests in an entity) implemented prior to the Treasury issuing final regulations will still be eligible to receive significant valuation discounts.

While there is a window to implement these transactions, these transactions generally take a while to develop and complete. If you're interested in discussing whether one of these strategies makes sense, please contact us.

### **FOR FURTHER INFORMATION**

Foulston Siefkin regularly counsels clients on issues relating to Estate Planning and Probate. If you are interested in additional information regarding these matters, please visit our website at [www.foulston.com](http://www.foulston.com), or if you would like to discuss specific ways in which Foulston Siefkin can help you, contact [Timothy O'Sullivan](mailto:tosullivan@foulston.com) at (316) 291-9564 or [tosullivan@foulston.com](mailto:tosullivan@foulston.com), [Matthew Bish](mailto:mbish@foulston.com) at (316) 291-9729 or [mbish@foulston.com](mailto:mbish@foulston.com), or [Stewart Weaver](mailto:sweaver@foulston.com) at (316) 291-9736 or [sweaver@foulston.com](mailto:sweaver@foulston.com).

---

*Established in 1919, Foulston Siefkin is the largest law firm in Kansas. With offices in Wichita, Kansas City, and Topeka, Foulston Siefkin provides a full range of legal services to clients. This document has been prepared by Foulston Siefkin for informational purposes only and is not a legal opinion, does not provide legal advice for any purpose, and neither creates nor constitutes evidence of an attorney-client relationship.*

---