



COOK MARTIN POULSON, P.C.

Certified Public Accountants

CLIENT

Mark & Suzy Smith

SERVICES

Estate Planning



Mark and Suzy Smith have lived in Heber City, Utah basically their whole lives. They grew up farming and ranching the family farm and have lived a conservative lifestyle. The farm has been in the family name for over five generations. They take great pride in their land and have worked hard to maintain it. While their assets are not very liquid, their net worth is several million dollars (more than the current law allows a person to give to their heirs tax-free at their passing). Unfortunately, if they were to die Uncle Sam would come calling for his estate taxes of a few million dollars. The only way their children could afford to pay these taxes would be to fire sell the farm. When we learned of the Smith's situation we had a few suggestions.

We learned the Smiths desired to pass the family farm down to their children so we created an LLC with the help of their estate planning attorney. The family farm was then transferred into the LLC and the Smiths now owned an LLC which owned the land instead of owning the land personally. The Smiths then began to gift ownership of the LLC to their children. Because the Smiths could only gift \$13,000 each year to each of their children tax-free, we performed a business valuation to determine what percentage of the LLC was worth \$13,000. As a result of the creation of the LLC and gifting portions of the LLC to their children each year, the Smiths' net worth, for IRS valuation purposes, was decreased substantially. Not only

did the gifts to their children move value out of their names and into their children's names, we created a discount to their assets, for the lack of marketability. Since the Smiths were no longer the sole owners of valuable land, and were now owners of an LLC with multiple minority owners, fewer buyers would be attracted to purchase the Smiths' portion of the LLC creating a discount for the lack of marketability. In effect, we helped save the Smiths several million dollars of estate taxes.