From the desk of Jeanne M. Kerkstra, Esq., CPA

Viewpoint
It's April 17, 2007…

Ahhh! Your client has gotten over the bad news of how much was owed on his ***2006*** Form 1040 and, more importantly, sent in his payment with his return. After some time away from the office (hopefully), you will be more relaxed and have gotten some color back (again, hopefully). You will be able to talk with your client about strategies he can implement to save taxes . . . Really? Lots of times clients lose interest when the end of the year seems so far away. Well, you're in luck. It's November 3. Only *8* weeks left in this year. Now that we have your attention, let's get your client's:

1. Too much money? Too high net worth?

- Form an Illinois limited partnership. Move non-essential, but valuable, assets in, especially those expected to appreciate in value. The tax attributes from the date of the funding will flow to the general partners and limited partners according to the Partnership Agreement.

- Allows current year gifting to be maximized. Compare gifting $12,000 cash to gifting a limited partnership interest with discounts of 15% ($14,117) for marketable securities to 25% ($16,000) for real estate. (Caution: General rules of thumb). Another benefit of gifting a limited partnership interest over cash is how children, and grandchildren alike, cannot "spend" a limited partnership interest.

2. Problems on the horizon?

- Form a Delaware limited partnership. Same theory as to what assets to move in. Generally utilize a corporate general partner. Your client would hold most positions, including officer and director. He and his spouse would own the voting stock while a "Trusted Person" would hold the non-voting. If a disgruntled creditor obtains a judgment, a trigger mechanism would convert the voting to the non-voting, and vice versa.

3. Charitable inclinations (remembering that charity starts at home)?

- Your client could establish a private foundation. Cash gifts are deductible to the extent of 30% of adjusted gross income. Capital gain property is deductible to the extent of 20% of adjusted gross income. If this is exceeded, the excess is deductible in the first 5 succeeding taxable years. There is a minimum distribution requirement.

- Charitable Remainder Trusts (CRAT's) where charity gets the benefit upon your client's death.

- Charitable Lead Trusts (CLAT's) where charities receive the benefits during your client's life.

- Private foundations, CRAT's and CLAT's all may be used in connection with the limited partnership structure to achieve the greatest tax savings.

Here's to a wonderful tax season!

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