Foreword

The family limited partnership ("FLP") and limited liability company ("LLC") have become the entities of choice for a myriad of business, tax, and other reasons, supplanting the C corporation and S corporation in many instances. The assets held by these FLPs and LLCs may include operating businesses, marketable securities, stock in closely held C corporations, interests in other partnerships and LLCs, real estate, and other assets. The issues that can and do arise in planning with FLPs and LLCs using any of these assets generally requires strict adherence to the formalities and proper application of the substantive law relating to FLPs and LLCs. For these reasons, The Family Limited Partnership Deskbook: Forming and Funding FLPs and Other Closely Held Business Entities, which is one of the most comprehensive and readable references available, is a must for practitioners who wish to understand and comply with both formal and substantive requirements for tax purposes in the creation and administration of FLPs and LLCs.

Despite recent attacks by the Internal Revenue Service, and even limited successes of the Service in some of the court proceedings, FLPs and LLCs clearly remain a valuable tool in the planner’s arsenal to address tax and non-tax objectives, including asset protection and preservation for the original assets the FLPs or LLCs hold. The recent attacks that have had some success confirm, however, that there are potential damaging missteps for ill-prepared planners and their clients who do not understand the many tax and non-tax issues that need to be addressed in the life cycle of an FLP or LLC. Because the stakes are so high when the IRS challenges the FLPs and LLCs, it is imperative that planners have a reliable and complete reference source addressing the many planning options and pitfalls associated with these entities.

This book is remarkable for its scope of subject matter and depth of analysis and yet it is clearly designed to be helpful to planners with all levels of understanding and expertise. The book addresses basic principles of drafting, how and when to form and fund an FLP or LLC, and basic valuation principles in valuing FLP and LLC interests that are to be transferred. It also addresses the most advanced income tax concerns, including special allocations of and adjustments to basis, and the taxation of non-liquidating and liquidating distributions. Whenever possible examples are provided to help the reader understand not only the principles involved but also the practical applications of the techniques being implemented.

Perhaps most valuable for professionals are the extensive sample forms and exhibits that cover virtually every aspect of the creation and operation of the FLP and LLC. Often commentators only point to potential problems
with certain strategies or techniques. This book offers suggested solutions and sample forms for each potential problem wherever appropriate. *The Family Limited Partnership Deskbook: Forming and Funding FLPs and Other Closely Held Business Entities* is a book that should be in the library of any practitioner who has to deal at any point with FLPs or LLCs or who works in other wealth transfer planning areas but on occasion needs a working knowledge of the subject.

Neill G. McBryde