Preface and Acknowledgments

This monograph is designed for the estate planner who is assisting the owners of a closely held business in structuring an arrangement to deal with the withdrawal of an owner from the ownership of a business, which may or may not coincide with the owner’s termination of employment in the business. After a brief discussion of developments that have affected the development of buy-sell agreements, the monograph sets forth the various objectives that can be achieved through a well-drafted buy-sell agreement. Next, there is a discussion of the planning considerations involved in choosing the appropriate type of buy-sell agreement, including both tax and nontax issues. The suggested terms of a well-drafted agreement are outlined and ways of funding the buyout of an owner as well as alternative methods of compensating a withdrawing owner for his or her interest in the business are examined. There follows a discussion of the ability to set the value of an interest in a business entity for estate tax purposes through a buy-sell agreement. Income tax consequences to the entity and the departing owner are covered. Although much of the text applies to any type of entity, there are separate sections dealing with S corporations, partnerships and limited liability companies, and professional service corporations. Valuation issues and special concerns when dealing with family-owned entities are also discussed. Sample agreements are included.

Katherine E. Ramsey, a partner attorney with Hunton & Williams LLP in Richmond, Virginia, provided valuable services in connection with the first edition of this monograph. In addition to verifying references, she made numerous suggestions that improved the readability and usefulness of the work and added substantially to the first edition. However, I alone am responsible for any errors or omissions and would appreciate hearing about them from the reader.