



## Q & A: Estate and Transition Planning Webinar

Filmed: 5/30/2024

### 1. Is filing form 709 important if your gift exceeds 18,000 per child

Answered in webinar. Please refer to the video, time stamp 25:30.

### 2. Do you recommend Grantor Annuity Trusts?

Grantor Annuity Trusts or GRATS are a useful tool, but fairly sophisticated and difficult to undo if you later decide you want to change your plan. A couple of concerns with putting farmland in a GRAT is that you may need to also include a significant amount of cash or other liquid assets in the GRAT. Since the size of the annual annuity payment required is dictated by the government and is variable, it can sometimes exceed the available cash flow from operating the farm, which technically would force a portion of the farm to be sold to meet the minimum distribution requirements if there are no other liquid assets in the Trust. This would trigger capital gains tax. Saving tax is one of the reasons to use the Trust, so this would tend to defeat the purpose. The other concern is that if the next generation is planning to sell the farm, the trust never dies, so therefore there will not be a stepped-up basis at the Grantor's death. If the next generation is not planning to sell, this is not a major concern.

### 3. How do you put assets into my revocable trust?

Answered in webinar. Please refer to the video, time stamp 26:06.

### 4. If I have a 100 acre parcel that I plan to give to one child, how would I go about gifting it?

Answered in webinar. Please refer to the video, time stamp 26:40.

### 5. What is the status of raising the IL estate tax from \$4 million to \$6 million? HB 4600

Currently no update that I am aware of.

### 6. For land held in an LLC, do I need a formal appraisal to establish a value of a percentage share to gift.

This will depend on the situation. If you have a consistent process that the LLC has been using annually to value the property, that may be adequate. You may also be able to use a Broker's Price Opinion or BPO to establish value. Certainly a fully documented appraisal should be considered if you anticipate that the gift may be challenged, or if there are other LLC owners that need to be assured that an appropriate value was used.

### 7. How do I determine what entity is right for me? Is there a specific factor to consider? Farm size? Tax bracket? Number of heirs?

All of the above can be part of the decision, but the most important factors center around the the age and business acumen of your heirs. If you have heirs that are minors, or have had trouble managing their financial affairs, a Trust with a quality Trustee may be the right answer. For more experienced heirs, a Family Partnership or LLC may make more sense and give your heirs more flexibility and control. In addition, you need to consider what your objectives are for your property and how likely it is that your heirs will be aligned with those objectives. That will help determine the ownership vehicle makes the most sense.