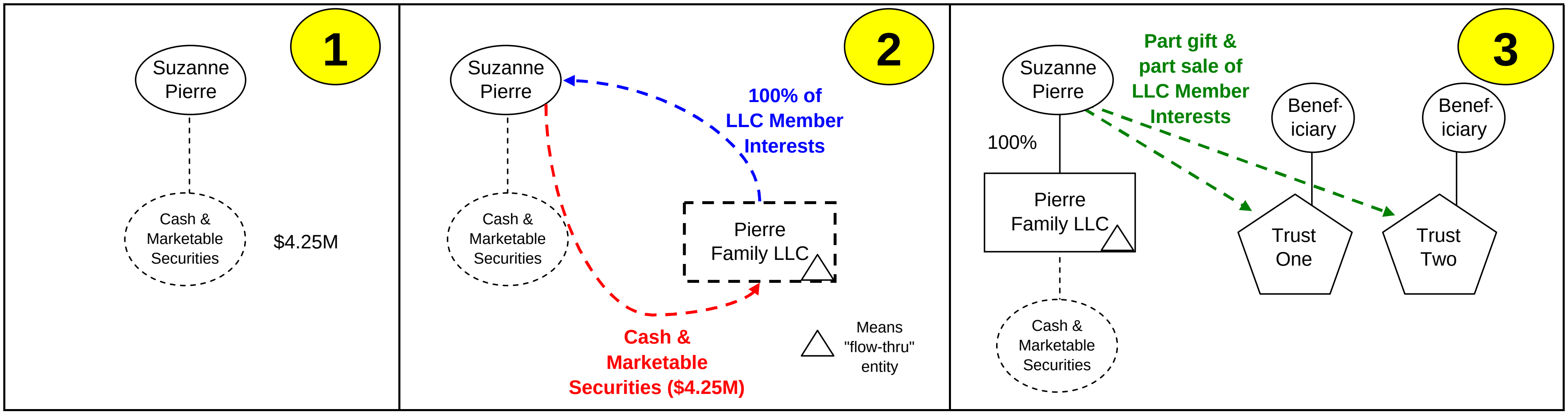
Pierre v. Commissioner
133 T.C. No 2 (2009)

Valuation Discounts for Transfers of Interests in a Single Member LLC

Initial Structure | **LLC Formation (Jul. 13) & Funding (Sep. 15)** | **Part Gift & Part Sale (Sep. 27)**

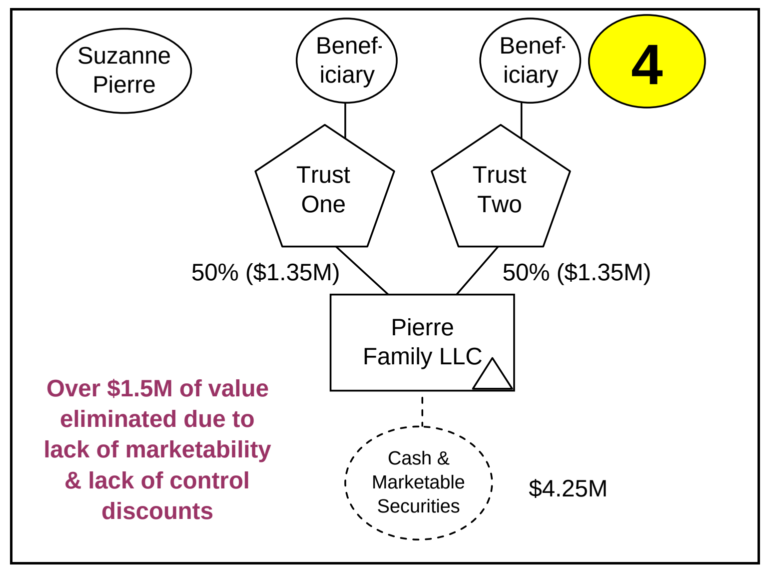


The issue in the case was whether certain transfers of interests in a single-member LLC that is treated as a disregarded entity are valued as transfers of proportionate shares of the underlying assets owned by the LLC or are instead valued as transfers of interests in the LLC, and, therefore, subject to valuation discounts for lack of marketability and control.

On July 13, 2000, Suzanne Pierre ("Pierre") organized a single-member LLC (the "LLC"). On July 24, 2000, Pierre created two trusts to benefit family members. On September 15, 2000, Pierre transferred $4.25 million in cash and marketable securities to the LLC. On September 27, 2000, 12 days after funding the LLC, Pierre transferred her entire interest in the LLC to the trusts, partly as gifts and partly as sales.

A divided Tax Court held that state law determines the nature of property rights, and Federal law determines the appropriate tax treatment of those rights. Consequently, lack of marketability and lack of control discounts applied to the transfers of the LLC interests for Federal gift tax valuation purposes.

Ending Point



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