

The preceding Diagrams are for demonstration purposes only. No rendering of legal advice can be assumed based solely on the contents hereof. The use of family limited partnerships have under past and current law provided substantial benefits. For example, significant estate tax discounts have often been obtained using closely held family entities. Legal precedent supporting the availability of such discounts include (1) *Estate of Elizabeth M. Lee v. Commissioner of Internal Revenue Service*, 69 TC 60 (1978); (2) *Estate of William T. Piper v. Commissioner of Internal Revenue Service*, 72 TC 1062 (1979); (3) *Estate of Mary Frances Smith Bright v. United States of America*, 658 F.2d 999 (1981); (4) *John A. Propstra, personal representative of the Estate of Arthur E. Price v. United States of America*, 680 F.2d 1248 (1982); (5) *Estate of Woodbury G. Andrews v. Commissioner of Internal Revenue Service*, 79 TC 938 (1982); (6) *Virginia Z. Harwood v. Commissioner of Internal Revenue Service*, 82 TC 239 (1984); (7) *Charles W. Ward v. Commissioner of Internal Revenue Service*, 87 TC 78 (1984); (8) *Roy O. Martin, Jr. v. Commissioner of Internal Revenue Service*, 50 TCM 768 (1985); (9) *The Northern Trust Company, Transferee and Trustee v. Commissioner of Internal Revenue Service*, 87 TC 349 (1986); (10) *Estate of Daniel J. Harrison, Jr. v. Commissioner of Internal Revenue Service*, ¶ 87,007 P-H Memo TC (1987); (11) *Estate of Ruben Rodriguez v. Commissioner of Internal Revenue Service*, 56 TCM 1033 (1989); (12) *Estate of Samuel I. Newhouse v. Commissioner*, 94 TC 193 (1990); (13) *Nancy N. Mooneyham*, 61 TCM 2445 (1991); (14) *Estate of Edgar A. Berg v. Commissioner of Internal Revenue Service*, 976 F.2d 1163 (1992); (15) Rev. Rul. 93-12, 1993-1 C.B. 202 (1993); (16) *Estate of Ray A. Ford v. Commissioner*, 53 F.3d 924 (1995); (17) *Bernard Mandelbaum v. Commissioner*, T.C. Memo 1995-255 (1995); (18) *Knight v. Commissioner*, 115 TC No. 36 (2000); (19) *Church v. United States*, 85 A.F.T.R.2d 804 (W.D. Tex. 2000); (20) *Estate of Stone v. Commissioner*, 86 T.C.M. 551 (2003); (21) *Kimbell v. United States*, 371 F.3d 257 (5th Cir. 2004); (22) *Estate of Schutt v. Commissioner*, T.C. Memo 2005-126 (5/26/05). On the other hand, the Internal Revenue Service has had some recent success in a string of cases using IRC §2036(a) to defeat transfer tax discounts, particularly in cases where the integrity of the partnership structuring was not respected by the taxpayer. Asset protection is another advantage sometimes associated with the family limited partnership structure primarily due to the “exclusive remedy” provisions of §§7.03 and 7.02 of The Texas Revised Limited Partnership Act (“TRLPA”), Tex. Rev. Civ. Ann. Art. 6132a-1 and §153.256 of the Texas Business Organizations Code. However, notwithstanding prior and current legal authorities supporting benefits attributable to the family limited partnership structure, the reader should be mindful that the Diagrams presented herewith involve highly sophisticated estate planning techniques, many of which have not been judicially proven or legislatively determined with total certainty or may be subject to change or modification by future legislative or judicial action. Accordingly, reliance thereon must be and is the individual decision and responsibility of the client.

STRUCTURING

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FAMILY LIMITED PARTNERSHIP

ESTATE PLAN

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