



CONTRIBUTION SCENARIOS

IRREVOCABLE TRUSTS II

Property contributor would like to create an Intentionally Defective Grantor Trust to hold their units.

SCENARIO

An Intentionally Defective Grantor Trust (IDGT) is an irrevocable trust which is designed to cause assets owned by the IDGT to be excluded from a taxpayer's estate for federal estate and gift tax purposes. Often times, IDGTs are combined with partnerships or limited liability companies to maximize a taxpayer's federal estate and gift tax exemption due to discounts related to the value of such equity interests.

A property contributor may be able to contribute the property itself to an IDGT prior to contribution to the fund or may contribute the units of the fund to the IDGT. In either event, it is advisable to separate the contribution to the IDGT from the valuation of the property itself. The timing and best approach for the purposes of discounting is typically determined on a case-by-case basis. Please consult your tax advisor for more information.