



BUSINESS SUCCESSION PLANNING WITH C CORPORATIONS

Producer Guide



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INSURANCE & INVESTMENT GROUP

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With proper planning, the correct buy-sell agreement will avoid unwanted tax consequences while providing shareholders with peace of mind

Overview

One of the basic rules of management is that a succession plan is best made long before it is needed. In the event an owner severs his/her connection with a company, such as through retirement, disability or premature death, what will happen to the business? It can be uncomfortable for clients to consider, but planning for such occurrences is important, especially when for most closely-held business owners, the business will make up the bulk of the value of their assets. For businesses organized as C corporations, becoming aware of the rules surrounding business succession is even more important due to pitfalls resulting from the corporation's separate entity status.



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Succession planning, rather than being an event, is a process to be managed over a period of years—anywhere from 3 or 5 up to 20 or 30 years hence. When succession planning is put into place for a C corporation, there are many factors to consider such as the tax consequences of the type of buy-sell agreement selected, as well as family attribution, alternative minimum tax, and basis consequences.

The objective of this Guide is to identify and discuss some of the unique characteristics of C corporations and determine how such characteristics may affect buy-sell planning or weigh as factors in deciding the structure of a buy-sell agreement for a particular C corporation. Keep in mind, however, all documents must be drafted by legal counsel. Furthermore any necessary professional services, such as accounting or tax advice, must be provided by a licensed qualified advisor. This guide is not a substitute for personalized advice.

Buy-Sell Planning

C corporations do not dissolve at the death of an owner. Therefore, some decision needs to be made regarding the corporation in the event that an owner dies. Such transition problems can be compounded if the deceased was a key employee or a sole shareholder. For sole shareholders, the estate's need for liquidity to pay federal estate taxes within nine months of death usually necessitates a fire sale of the business. After the death of a business owner and if there are surviving shareholders, they have the following options: liquidate, take in heirs as new owners, allow a third-party new owner, sell business interests, redeem or buy heirs' business interest.

In particular, closely-held business owners need to consider what will happen to a business upon the death of an owner. The beneficiaries of the decedent's estate could retain the stock but experience a cash flow crisis; with the loss of the decedent's salary, if the board of directors decides not to distribute dividends, the stock may not provide a needed stream of income. If the heirs choose to sell the stock, then any third-party outsider may become a co-owner with the remaining shareholders. However, such heirs may be lucky to even find a buyer. Closely-held stock can be difficult to sell; it doesn't usually pay dividends and, if it is a minority interest, offers little control over the corporation's activities.

The best course of action shareholders of a closely-held business can take is to formulate a plan of action beforehand. A buy-sell agreement is one option. Buy-sell agreements bind the parties into an agreed-upon result in the event any one of a number of events occurs, such as a sale of shares, retirement, disability or death of a shareholder. When considering how to fund the buy-sell agreement, life insurance can be a very attractive option.

Buy-Sell Basics

Buy-sell agreements are contracts and their terms may vary depending upon individual situations. However, the majority of such agreements will contain the following requirements of the owners:

- Each owner agrees to offer the right to purchase stock for sale to either the business and/or the owners before attempting to sell it to third parties
- Upon the death of an owner, either the business or the surviving owners will purchase and the decedent's estate will sell the decedent's ownership interest
- A pre-established valuation formula will be used at the time of death of an owner to determine a value for the ownership interests to be purchased

Funding the Buy-Sell Agreement with Life Insurance

Waiting until the time of death to acquire the funds to complete a buyout is problematic. With the loss of an owner, the business may already be suffering from decreased revenue or may be adversely affected by the loss of personal services or relations of the owner to the business and its customers. The surviving owners could raise the needed funds by incurring debt, selling business assets, or using cash reserves, but all of these approaches are inherently uncertain and may place a severe burden on the operations of the business. The surviving owners could also apply for a loan, but the business may not qualify for a loan, and may not have the revenue to afford repayment. Life insurance offers a more secure basis for funding a buy-sell agreement.

A life insurance policy can provide the proper amount of liquidity when it is needed most—at the death of a business owner. Funds received from the death benefit of the policy can be used to purchase the decedent's interest. If a permanent

life insurance policy is used, the cash values may also serve as a source of funds for a buyout at dissolution or when a business owner leaves the company, such as due to disability, incapacity, or retirement.

Taking a Closer Look at the C Corporation

A corporation is a business entity created under state law, standing as an independent legal “entity” apart from its owners (“shareholders”) and officers. Since it is considered a separate entity, it is taxed as a separate entity. This means the business’s profits are subject to taxation at the corporate level and when they are distributed to shareholders the profits are taxed again. Corporations are treated as “C Corporations” unless they elect to be treated as S corporations. A C corporation is a corporation in the United States that, for federal income tax purposes, is taxed under IRC § 11 and Subchapter C (IRC § 301 et seq.) of Chapter 1. Although there has been much talk of the rising popularity of new types of entities, such as Limited Liability Companies (LLC), the C corporation is the traditional, most common type of business entity. C corporations may have unlimited amounts of shareholders, which can be important if a business will have many investors, or if the owners plan to eventually offer the stock publicly. C corporations, along with LLCs, also provide personal liability protection for the shareholders from business debts and third party creditors. Protection from the debt may fail, a process referred to as “piercing the corporate veil”, if corporate formalities are not met—such as not commingling personal and corporate funds, and keeping up annual meeting and recordkeeping requirements. Corporations also can continue indefinitely; this is referred to as “continuity of existence”. Deaths of owners or transfers of interest should have no effect on the corporation, unless state law differs.

Some aspects of C corporations enhance their uniqueness and continuing popularity:

- **Transferability**—as there are not many limitations on the sale or ownership of stock, C corporation stock can easily be transferred. By contrast, S corporations may have no more than 100 shareholders, and several types of entities are disqualified from holding S corporation stock—nonresident aliens, partnerships, corporations, and nonqualified trusts.
- **Formation Cost**—A Corporation is formed by filing appropriate documents with the state of the corporation’s domicile. Most states charge a smaller filing fee to create a C corporation than is required to form an LLC.
- **Well-Known**—Almost everyone is familiar with the C corporation basic structure and how it works. Due to this comfort level, many business owners select the C corporation as the structure for their own business over other newer entities, such as the LLC.

Most major companies (and many smaller companies) are treated as C corporations for federal income tax purposes. Corporations are created under state law, and their basic structure and attributes are fairly consistent among the states, although there is variety among the states as to duties and some characteristics of the corporation.

Formation

The steps to incorporate may vary slightly amongst the states but are basically as follows:

- 1) Execute pre-organization subscription agreement for corporate stock for issuance
- 2) File Articles of Incorporation with Secretary of State
- 3) Execute corporate By-Laws
- 4) Hold first organizational meeting of Board of Directors
- 5) Create books, records, home office, registered agent, etc. for corporation
- 6) File any other reports or documentation, plus fees, required by state

C Corporation Taxation Overview

Unlike partnerships or S corporations which are “flow through” tax entities where tax effects or results flow directly to their owners, all the profits and losses of a C corporation are taxed at the corporate level. If the corporation distributes its profits as dividends to its owners, the corporation cannot deduct the dividends paid and the owners will also have to pay income taxes at the individual’s tax rate on those payments. For closely-held businesses, this double taxation can be a burden. Often such businesses will pay the owner-employees a salary rather than dividends, allowing the corporation to receive a compensation deduction. However, such compensation must be reasonable and is subject to limits. For instance, when a C corporation has been profitable for several years, but never paid out any dividends, the IRS may deem a portion of the salaries paid to the owners to actually be dividends.

Accumulated Earnings Tax

Should a C corporation decide not to distribute earnings and profits as either dividends or compensation, it can retain the earnings which will delay the second level of tax, since shareholders of a C corporation are generally only taxed when a distribution or compensation is received, unlike S corporation shareholders. To prevent the avoidance of taxation at the shareholder level, C corporations are subject to a penalty tax if they accumulate too much earnings, or more than the business is expected to need. Such business needs can include payment of anticipated future operating expenses, planned expansion of operations, the

retirement of debt, redemptions, executive benefits, insurance, etc. Thus, an accumulated earnings tax of 15 percent is imposed on retained earnings in excess of \$250,000 (or \$150,000 for professional corporations). The accumulated earnings tax is in addition to the regular corporation tax. In 2011, the rate will increase from 15 percent to the highest individual tax rate of 39.6 percent.

Alternative Minimum Tax

Like individuals, corporations with substantial economic income can become subject to an Alternative Minimum Tax (AMT) if they have excessive preference items, such as deductions, exclusions, and credits to reduce their tax liability. Other items of tax preference include life insurance cash values in excess of premiums and death benefit in excess of cash value. After calculating their income tax liability using the regular method, C corporations must calculate it again using the AMT method, which adds back certain tax preference items. The corporation must pay whichever tax is higher. Corporate AMT does not apply to any corporation with average gross receipts of less than \$5 million for a three-year period. For corporations subject to AMT, the rate is 20 percent.

Basis

For C corporation shareholders, the basis in their stock is generally the cost, which is usually equal to the adjusted basis of the property the shareholder initially contributed to the corporation plus any cash contributed to the corporation or used to buy shares.

A C corporation shareholder’s basis does not fluctuate as income is earned or distributed by the business.

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The Corporate Buy-Sell Agreement

The options for structuring a buy-sell agreement are varied, but all are founded on two basic structures: the cross purchase plan and the stock redemption plan. Due to some of the special consequences surrounding C corporations, it is important to be aware of the advantages and disadvantages of each structure in order to select the appropriate structure.

C Corporation Cross Purchase Plan

A cross purchase buy-sell arrangement is a pre-arranged agreement among all the owners of a business to purchase the shares of any owner's interest in the business should that owner die, retire, or wish to sell his or her stock. The corporation is not a party to the agreement. Life insurance is a convenient way to fund a cross purchase agreement. Each owner applies for, owns, and pays the premium for a life insurance policy on the other owners. Each owner would serve as beneficiary of the policy she or he owns.

Cross Purchase Tax Consequences

In a cross purchase arrangement, the general rule is the life insurance proceeds are federal income tax-free. However, for certain corporate-owned life insurance policies, unless notice, consent, and recordkeeping requirements as prescribed in IRC § 101(j) are met, the proceeds are subject to income tax. As a result, if a shareholder in a cross purchase arrangement owns more than 50 percent of the business (including shares attributed to the owner via the related party rules), any policies that shareholder owns on other shareholders may be considered corporate-owned. In that case, the notice, consent and recordkeeping requirements must be satisfied before the policy is issued to

sustain the income tax-free nature of the insurance death proceeds. Once the sale is completed, each shareholder will consequently own more stock, possibly requiring additional insurance to fund the next buyout.

Generally, premiums paid for a life insurance policy are considered a personal expense and therefore are not federal income tax-deductible. If the corporation is paying the premiums as an employee bonus, the premiums will be deductible to the corporation as an IRC § 162(m) compensation deduction, although the employee must recognize the bonus as ordinary income. The bonus must be reasonable compensation and the owner must be an employee. If the owner is not an employee, payments made by the corporation to pay premiums will be characterized as a dividend distribution, which are not deductible by the corporation and are taxable to the owner.

If a shareholder is obligated under a cross purchase plan to purchase a decedent owner's interest, and instead the corporation assumes the obligation and makes the purchase, then the purchase price is treated as a taxable dividend to the surviving shareholder. It is important for shareholders under a mandatory obligation in a buy-sell agreement to fulfill the obligation themselves.

The sale of the business interest from the estate to the surviving shareholders will result in an increase in basis for the buying shareholder equal to the purchase price of the stock. An increase in basis will help the shareholders should they later choose to sell their stock, since a higher basis will reduce the amount of taxable capital gain in a later sale. The decedent's estate usually does not recognize capital gain on the sale of the shares to the other owners, since the estate has received a step-up in basis equal to the fair market value of the shares on the date of death or alternate valuation date and the sale usually occurs shortly after the date of death.

The decedent's estate will include the value of the business interest as well as the cash value of any policies the decedent held on other shareholders as part of the cross purchase arrangement. After the decedent's death, those policies will likely need to be transferred back to the other shareholders, since the estate will not have any use for these policies. If the policies are sold to co-shareholders of the insured then a transfer for value occurs and the policy death proceeds in excess of the amount paid for the policy will be included in federal taxable income. If the policies are transferred to the insured, or a partnership or corporation in which the insured is an owner, then the death benefit of the policies will remain federal income tax-free since such transfers are an exception to the transfer for value rule. Transferring policies to the corporation can be done to fund a stock redemption to cover the additional stock each shareholder now owns.



The corporation will have to comply with the notice, consent, and recordkeeping requirements of IRC § 101(j) in order to keep the death benefit income tax-free.

C Corporation Stock Redemption Plan

With a stock-redemption arrangement, the buy-sell agreement between the C corporation and its shareholders requires the C corporation to buy and the decedent's estate to sell the decedent's stock upon death. To fund the arrangement, the C corporation owns and is the beneficiary of a life insurance policy on each shareholder.

Stock Redemption Tax Consequences

If the corporation owns and is the beneficiary of a life insurance policy, the death benefit will not be includible in the deceased shareholder's estate. The value of the stock will be included in the estate. If the corporation purchases the stock for more than the date of death value of the stock, the excess is taxable income to the estate.

In a stock redemption plan, the corporation will be paying the premiums for the policy, and it cannot take a deduction for such premiums paid. The premium payments will reduce earnings and profits of the corporation. The difference between death benefit and cash value will increase earnings and profits when paid to the corporation, and then earnings and profits will be decreased once the redemption is complete.

Corporate-owned policies used to fund a stock redemption fall within the corporate-owned life insurance provisions of IRC § 101(j) which can result in a taxable death benefit. The corporation will have to comply with the notice, consent, and recordkeeping requirements of the statute in order to keep the death benefit income tax-free.

Generally, there are no accumulated earnings tax issues when cash value accumulates in life insurance policies used to fund a stock redemption. Such amounts are considered a reasonable business need, which is an exception to the accumulated earnings penalty tax.

A C corporation-based stock redemption has some disadvantages. The life insurance death benefit proceeds used to fund the buyout and annual increases in the cash value of the policy may be subject to the alternative minimum tax. Moreover, the basis of the surviving shareholders in their stock does not increase by the amount paid by the corporation to redeem the stock, but rather it remains unchanged.

For income tax purposes, a stock redemption can be much more problematic than a cross purchase arrangement because, unless the transaction meets certain tests, there is a risk the IRS will treat the redemption not as a sale but as a dividend to the decedent’s estate. According to IRC §§ 301 and 316, unless all of the corporation’s earnings and profits have been distributed, the redemption will be treated as a distribution of earnings and profits and taxed as a dividend at ordinary income tax rates. Once earnings and profits are exhausted, the distribution will be treated as a return of capital investment by the decedent. In order to avoid this consequence, redemptions must fall within an exception:

- Fulfill the requirements of IRC § 302, or
- Qualify as a partial redemption to pay estate taxes and expenses under IRC § 303.

Section 318 Attribution Rules

Before we discuss obtaining capital gains treatment for a redemption through § 302, it is important to understand the attribution rules of § 318. Under this statute, an individual or entity is treated as owning stock owned by certain related family members, corporations, partnerships, estates, and trusts. These rules assume such related individuals and entities have a unified economic interest. Thus, stock owned by a partnership or estate is considered as owned by the partners or beneficiaries with present interests. Similarly for family attribution, an individual is treated as owning stock owned by his/her spouse, children, grandchildren and parents, but not siblings or in-laws.

It may be easier to understand these rules by looking at an example. If there are 100 outstanding shares of a C corporation and Dad owns 10, Mom owns 20, Son owns 20, Granddad (Mom’s Father) owns 30, and Aunt (Mom’s Sister) owns 20, the actual and constructive ownership of each person’s shares is as follows:

Shareholder	Actual Shares	Constructive Shares (§ 318)	Total Shares	Person Attributed from
Dad	10 %	40 %	50%	Mom, Son
Mom	20 %	60 %	80%	Dad, Son, Granddad
Son	20 %	30 %	50%	Dad, Mom
Granddad	30 %	60 %	90%	Mom, Son, Aunt
Aunt	20 %	30 %	50%	Granddad

Notice that attribution is not made between the Mom and her sister. Moreover, stock attributed to one family member is not reattributed to another family member. So stock attributed by Granddad to Mom, is not then attributed again to Dad.

Section 318 attribution rules do not apply to § 303 redemptions.



Section 302 Redemption

Capital gains treatment rather than dividend treatment can be obtained by using one of the three safe harbor provisions in § 302 to avoid dividend treatment. The first, § 302(b)(1), is a redemption “not essentially equivalent to a dividend.” The Supreme Court has interpreted “not essentially equivalent to a dividend” to be a redemption resulting in a meaningful reduction of the shareholder’s proportionate interest in the corporation.¹ The regulations to this section provide each case will be determined on a facts and circumstances basis.² In considering specific cases, the Service looks at changes to three significant shareholder rights: 1) voting, 2) participation in current earnings and corporate growth, and 3) sharing in the net assets on liquidation.³ The attribution rules of § 318 apply.

A second subsection, § 302(b)(2), allows capital gain treatment if the redemption is substantially disproportionate with respect to the shareholder. A substantially disproportionate redemption occurs when three mechanical requirements are met:

- immediately after the redemption the shareholder owns less than 50 percent of the total combined voting power of all classes of stock entitled to vote;
- the percentage of voting stock owned by the shareholder immediately after the redemption is less than 80 percent of all the voting stock owned by the shareholder before the redemption, i.e. a reduction of at least 20 percent; and
- the shareholder’s ownership of the common stock (whether voting or nonvoting) after and before redemption also meets the 20 percent reduction requirement.

The § 318 family attribution rules fully apply in determining whether the ownership requirements above have been met. Redemptions of only non-voting stock wouldn’t qualify under this provision because the shareholder’s voting power would not be reduced.

For instance, a shareholder owns 60 of the 100 total outstanding shares (60 percent) of a C corporation, and the corporation redeems 20 of the owner’s shares. After the redemption, the shareholder owns 40 of the 80 total shares outstanding, or 50 percent. This redemption would not be substantially disproportionate because the shareholder does not own less than 50 percent of the corporation’s voting power, and the percentage ownership after the redemption only decreased by 10 percent, not the required 20 percent.

The family attribution rules may make it difficult to completely redeem a deceased’s interest with capital gain’s treatment. If a family-owned corporation redeems a wife’s stock from her estate, the estate will be attributed with the stock owned by beneficiaries of the estate, which may include her husband and children.



¹ U.S. v. Davis, 397 U.S. 301, 90 S.Ct. 1041 (1970), reh. denied, 397 U.S. 1071, 90 S. Ct. 1495 (1970).

² Treas. Reg. § 1.302-2(b).

³ Rev. Rul. 81-289, 1981-2 C.B. 82; Rev. Rul. 85-106, 1985-2 C.B. 116.

Section 302(b)(3) is the third and most frequently used exception under this statute and allows for capital gains—not dividend—treatment if the redemption completely terminates a shareholder’s actual and constructive stock interest in the corporation. Family attribution may be waived if certain conditions are met:

- immediately after the redemption, the owner must have no interest in the corporation as a shareholder, officer, director, or employee immediately after the redemption
- the owner may not acquire any of the forbidden interests during the 10-year period going forward, starting on the date of the redemption
- the owner must attach a statement to his/her income tax return agreeing to the prohibition on forbidden interests
- the owner may not have acquired the redeemed stock in the 10 years prior to the redemption from a person whose stock would be attributable to the owner and, at the time of redemption, no person owns stock attributable to the owner under the attribution rules that was acquired from the owner during the 10 years previous to the redemption. These two rules do not apply if the acquisition/disposition by owner during the 10 year look-back period was not principally motivated by a tax avoidance purpose. For example, if a parent

gifts some stock to a child, and the parent’s remaining shares are redeemed by the corporation, leaving no other interest, then this could fall within the safe harbor of § 302(b)(3). A gift to a child may not be considered made for the principal purpose of tax avoidance.⁴

An entity (such as a trust or the estate) may also waive the family attribution rules if the rules as outlined above are met.⁵ A beneficiary’s stock is attributed to the estate and a beneficiary’s stock, for this purpose, can include stock attributed to the beneficiary from other related persons. Or, all distributions from the estate to the family member whose stock may be attributed to the estate must be accomplished before the redemption takes place, in order to extinguish the beneficiary’s interest in (and any potential attribution of stock to) the estate. Then the executor can sell the stock to the corporation. If an irrevocable life insurance trust is set up for a beneficiary in lieu of making that person a beneficiary to the estate, his or her constructive ownership in stock would not be attributed to the estate. Thus, life insurance can provide an excellent means to avoid some of the attribution rules that can complicate a redemption. One last caveat is § 306, which only applies to gifts, not to inheritances. Even if a redemption complies with §§ 302 and 303, as described above, it may still be considered a taxable dividend if the



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⁴ Treas. Reg. § 1.302-4(g); Rev. Rul. 77-293, 1977-2 C.B. 91.

corporation has current earnings and profits. Exemption from § 306 will occur if it is a complete termination of the shareholder's interest of all types of stock, and the redemption was not entered into for the main purpose of tax avoidance.

As is evident, for family-owned C corporations, advice from a tax professional is imperative when drafting and implementing a buy-sell agreement. The attribution rules are complex and can be a trap.

Section 303 Redemption

Section 303 offers the decedent's estate partial redemption/capital gain treatment for amounts necessary to pay estate taxes and expenses as an exception to dividend treatment of redemption of stock in a family-owned corporation. The stock will have received a step-up in basis at death, so the redemption of the stock will usually generate little or no capital gain.⁵ Families of the decedent can use this transaction to redeem the minimum amount of shares necessary to generate enough liquidity to pay federal and state estate taxes and funeral and administration expenses. Although the maximum amount eligible for redemption at capital gains rates is limited to that amount needed to pay taxes and expenses, the redemption proceeds do not actually need to be used to pay such taxes and expenses.

In order to qualify for the Section 303 redemption, the decedent's stock must be greater than 35 percent of the adjusted gross estate. If the stock is held in two or more companies, then for the purpose of reaching the 35 percent threshold, multiple companies will be treated as one—as long as the estate holds at least 20 percent interest in each corporation and meets other § 303 basic requirements.

The redemption must also be from a person whose interest in the estate is reduced by the payment of estate taxes and expenses. So for instance, a surviving spouse would not be subject to estate tax on inherited property due to the unlimited marital deduction and therefore may only be eligible to get a § 303 redemption for any funeral expenses or administrative costs of the estate. In the case of a trust seeking a redemption, the trust must be responsible for the estate taxes and expenses to qualify for redemption treatment.

If a corporation is planning a § 303 redemption, it can only use surplus funds. A C corporation may accumulate earnings over \$250,000 to fund a § 303 redemption only if such funds are accumulated in the year of the shareholder's death or later. Due to this requirement common in most state laws, life insurance becomes an ideal funding vehicle for a § 303 redemption since all the death benefit is paid on or directly after the insured shareholder's death. However for C Corporations, life insurance proceeds may be subject to the alternative minimum tax.

Using Section 303, partial redemption may offer help if a Section 302 redemption is unsuccessful at achieving sale treatment. However, due to the complexity of redemptions for family-owned C corporations, cross purchases are usually used more often in such situations.

Life Insurance and Valuation of C Corporations

One of the concerns regarding the use of a stock-redemption arrangement is that, since the C corporation is the owner and beneficiary of life insurance policies on the lives of the shareholders, the death of an insured shareholder will increase the overall value of the C corporation by an amount equal to the death benefit received by the corporation. This increase in value may then increase the decedent estate's tax burden.

⁵ IRC § 302(c)(2)(C).

Many advisors believe that, although the death benefit is received by the C corporation, the value of the asset is offset by the corporation's obligation under the buy-sell agreement to use those funds to purchase the decedent's shares. Thus, the valuation of the corporation may not be affected by the death benefit of the life insurance policy. This position is supported by rulings in several court cases.⁶

In addition, the use of a valuation formula to determine the value of the corporation could also minimize the impact of the death benefit. The client should seek the advice of a qualified accredited appraiser to determine the ultimate impact of an insurance policy on the valuation of the corporation.

Conclusion

Due to its separate entity status and unique tax issues, such as alternative minimum tax and family attribution rules, C corporations can be a minefield for the unwary venturing into business succession planning. However, C corporations are traditional forms of entity structure and offer much desired benefits, such as limited liability and continuity of existence, that work to maintain the popularity of C corporations as a choice of entity for many business owners. Therefore, a basic understanding of their characteristics and taxation is essential prior to helping shareholders set up a business succession plan that includes a buy-sell agreement. A poorly structured buy-sell agreement could result in unexpected taxation of the entire transaction and an increased tax burden on the heirs of the deceased shareholder as well on the corporation and surviving shareholders.

With proper planning, the correct buy-sell agreement will avoid unwanted tax consequences while providing shareholders with peace of mind that, when the times comes, a smooth transition of ownership can occur and their heirs will be taken care of, and the corporation can continue unimpeded.



For more information about this and other advanced marketing strategies, be sure to visit our web site at www.tatransact.com, or call our Advanced Marketing consultants at 877-ADV-MRKT (877-238-6758).

⁶ Estate of Blount v. CIR, 96 AFTR2d 2d, 2005-6795 (428 F.3d 1338) (11th Cir. 2005) (Death benefit proceeds from a corporate-owned life insurance policy should not be included in the value of the corporation, if there is a contractual obligation through a stock purchase buy-sell agreement to use those funds in a stock buyout.) See also, Cartwright v. CIR, 183 F.3d 1034 (9th Cir. 1999).

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