

## **How Can I Limit the Tax Liability for an Heir When Transferring a Partnership?**

Partnership interest has some special consequences because the current owner could have a negative capital basis. In addition, the growth of that partnership value over time can have a significant appreciation.

So the planning needs to consider whether that negative basis is going to have a negative income tax consequence on the transferee, such as the heir of the trust, or if that owner should potentially hold that asset, that business partnership interest, till death because there are some special rules that allow that value, that date of death value, to step up that date of death and then the heir could sell that capital interest tax free because they've had a stepped up basis.

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