

Why Is It Important to Consider How Passthrough Business Income Will Be Taxed After a Transfer?

Considering pass-through business income to an owner while they're living is looked at from the characteristic of the income. Is it active? Is it passive? Is it portfolio type and depending upon the type of character that you ascertain, we'll have different income tax consequences.

Now when you're doing estate planning, transferring that business interest and how that potential business income would be taxed to a trust, to an estate, or even to the heirs, has the same relevant consideration whether it's active or non-active.

We need portfolio or passive but at the same time who is managing that trust, who's managing that estate, so the fiduciary, in what their level of activity is in the business interest, is going to be important. So those things need to be considered when planning for transferring business interests with the pass-through entity.

Thank you.

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