
From: Eileen Alexanderson [REDACTED]
Sent: Friday, July 6, 2012 10:53 AM
To: 'jeevacation@gmail.com'
Subject: Re:

Ok, we would definitely be vulnerable in this context but it is not that Leon has insufficient assets. Our issue is the configuration of the assets with the non income producing assets still in his name and the income producing ones in the kids. To me that is the flaw in the plan Carlyn designed. Carlyn saying she told Leon he couldn't take the income doesn't ring true because I don't know what she expected him to live on otherwise. I understand your concerns about the art partnership but it would move us to a place this issue would be cured.

From: Jeffrey Epstein [mailto:jeevacation@gmail.com]
Sent: Thursday, July 05, 2012 11:17 PM
To: Eileen Alexanderson; Melanie Spinella
Subject:

The IRS has advanced many theories to challenge the gift and estate tax savings occasioned by the use of family entities and grantor trusts in estate planning. Until recently, most IRS arguments had been rather unsuccessful. However, the IRS discovered a potent weapon in IRC § 2036(a), which provides that the value of the gross estate includes the value of all property to the extent the decedent has made a transfer but has retained (i) the possession or enjoyment of, or the right to income from, the property, or (ii) the right, either alone or in conjunction with any person, to designate the persons who shall possess or enjoy the property or the income therefrom.

The IRS has been successful in arguing that IRC § 2036(a) requires the inclusion in the decedent's estate of (i) partnership assets if the decedent continued to derive benefits from the partnership, or of (ii) trust assets, if the decedent continued to receive distributions, disguised in the form of a note, from assets sold to a "defective" grantor trust. The IRS has been most successful where the transactions with not imbued with a sufficient quantum of non-tax objectives, or the economics of the transaction were questionable, most often because the grantor had not left himself with sufficient assets to live according to his accustomed standard without receiving partnership (or trust) distributions.

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