DIVORCE AND SEPARATION ESTATE TAX PLANNING ISSUES

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I. Transfers of Property Between Spouses or Incident to Divorce

A. IRC Code §1041 - No gain or loss recognized:

1. For transfers of property between spouses during marriage, or

2. Transfers incident to divorce.

B. Such tax free transfers are treated as gifts and transferee's basis of transferred property will be the same as the adjusted basis of the transferor.

1. Different from IRC §1015 – basis of property acquired by gift (where loss calculation on subsequent transfer must use lower of donor's basis or fair market value at time of gift).

C. Tax free rule does not apply if the spouse (or former spouse) of the transferor is a non-resident alien (IRC §1041(d)).

D. Code §1041 applies to outright transfers to a spouse and to transfers in trust for the benefit of a spouse (or former spouse). The carryover basis from the transferor and non-recognition of gain or loss treatment will apply whether the transfer is:

1. A gift;

2. A sale or an exchange;

3. For the relinquishment of marital rights;

4. For cash or for other property;

5. For the assumption of liabilities in excess of basis; or

6. For other consideration, and

7. Is intended to apply to any indebtedness which is discharged (Temporary Reg. §1.1041-1T).

Example: Greg Norman owns property with a fair market value of $10,000 and an adjusted basis of $1,000. Greg borrows $5,000 from a bank using the property as security for the loan. He then transfers the property to Beth Norman incident to a divorce from her and she assumes, or takes the property subject to, the $5,000 debt. Greg does not recognize any gain or loss on the transfer and the adjusted basis of the property in the hands of Beth is $1,000 (Note: she does not increase her basis by payment of the debt).

E. Where an annuity is transferred during marriage or incident to a divorce, the transferee will be entitled to the usual annuity treatment based on the transferor's carryover basis in the annuity[3].

F. Transfers incident to divorce (IRC §1041(c)):

1. If transfer occurs within one (1) year after the date on which the marriage ceases, or

2. Is related to the cessation of the marriage, if:

   a. Made pursuant to a divorce or separation agreement (or modifications or amendments thereto) and

   b. Transfer occurs within six (6) years after the marriage ceases.

3. Transfers of property that occur more than one (1) year after divorce and that are not made pursuant to a written instrument, or transfers that occur more than six (6) years after divorce are presumed not to be related to the cessation of the marriage.

4. The presumption can be rebutted only by proof that the transfer was made to effect the division of property owned by the former spouses at the time of the cessation of the marriage (Temporary Reg. §1.1041-IT).

G. Recapture Rules.

1. Since transfers between spouses are treated as gifts, these transfers will not trigger recapture of depreciation for business use property[3].

2. The transferee-spouse will step into the shoes of the transferor for recapture purposes. Thus, recapture may take place upon a later sale or exchange of the property by the transferee-spouse (IRC §1245(b)(1) and IRC §1250(d)(1))[3].

3. A transfer between spouses will not result in the recapture of <u>investment tax credits</u> if the property continues to be used in the trade or business. However, if following the transfer, the property is disposed of or ceases to be used in the trade or business, the transferee will be subject to recapture of the investment tax credit (Temporary Reg. §1.1041-IT(d)).

H. <u>Stock Redemptions Incident to Divorce – Not Treated as Transfers Under IRC §1041 Rules</u> (Temporary Reg. §1.1041-IT, Q&A 9).

1. Commonly, one spouse will buy out the other's interest in a closely-held corporation, with the buyout funds coming from the company. The corporation redeems the stock, giving cash and other property in place of the seller's equity interest. The IRS allows the divorcing couple to control which spouse pays any tax owed on the redemption by specifying the tax results in their divorce instrument or other written agreement (Regulation §1041-2(c)). The agreement must be written and signed by both spouses and executed before the date either spouse files their tax return for the tax year of the redemption (Reg. §1.1041-2(c)(3)).

a. <u>Language to place tax burden on departing spouse</u>. The agreement should expressly provide that:

i. Both spouses intend the redemption to be treated as a redemption distribution to the transferor's spouse; and

ii. The instrument or agreement supercedes any other instrument concerning the purchase, redemption or disposition of the stock (Reg. §1.1041-2(c)(1)).

b. <u>Language to place tax burden on spouse retaining ownership of the corporation</u>. The divorce instrument should expressly provide that:

i. Both spouses intend the redemption to be treated as resulting in a constructive distribution to the non-transferor spouse; and

ii. The instrument or agreement supercedes any other instrument concerning the purchase, sale, redemption or other disposition of the stock that is the subject of the redemption (Reg. §1.1041-2(c)(2)).

c. If there is no agreement on the tax consequences, the tax burden of the redemption will be determined under applicable tax law (Reg. §1.1041-2(a)).

d. A husband who has a binding obligation to purchase his wife's stock will be treated as receiving a constructive dividend when the corporation redeems the wife's stock in satisfaction of the obligation. The husband will be treated as if the wife first transferred the stock to the husband, following which the husband transferred it to the corporation in exchange for whatever property was transferred to the transferor's spouse (Sec. Rev. Rul. 69-608, 1969-2 CB 42).

e. The husband will not be treated as receiving a constructive distribution where there is no primary and unconditional obligation to purchase the stock, and the redemption by the departing spouse will be taxed under the usual rules applicable to redemptions.

Example: Ann and John jointly own all of the shares stock of Gem Co., a corporation formed to operate a hamburger franchise. In 2004, the couple divorced and John became the sole owner of the restaurant. John was required to buy out Ann's interest in Gem Co. since the franchisor required all of the equity to be held by the owner/operator of the restaurant. Ann and John's divorce agreement created a binding obligation for John to purchase all of Ann's stock in Gem Co. for a specified price. When Gem Co. redeemed Ann's stock in exchange for cash and debt reduction and issued additional shares to John, John is treated for tax purposes as having received the shares directly from Ann and having redeemed the shares himself. Ann will not have a tax obligation as a result. John will have gain or loss depending on Ann's basis.

2. Stock redemptions incident to divorce are a "zero-sum" game[3]. Either the wife or the husband will be taxed. If the parties determine the transferor spouses to be taxed, then the party should make sure the non-redeeming spouse has no obligation to purchase the stock and the corporation is not acting on the spouse's behalf. Conversely, if the non-redeeming spouse is to be taxed, then the parties should make sure that spouse is obligated to buy the stock. Note that the constructive distribution language is stricter under Reg. §1.1041-2, part of the final regulations issued on January 12, 2003, by the IRS than previous decisions in which the IRS lost trying to impose tax on both the transferor spouse and the non-redeeming spouse (see J.C. Arnes, CA-9, 93-1 USTC 50,016 and J.A. Arnes, Dec. 49,765)

II. Alimony

A. Alimony Trusts. Under IRC §682, a "Divorce Trust" can be set up to provide support for a divorced spouse. Distributions from principal would not be taxed to the payee spouse[2]. The spouse creating the IRC §682 trust does not recognize gain or loss on transfer of property to the trust. Instead, the payee spouse is taxed under the usual rules applicable to trust beneficiaries (on the income only). Payments from corpus of the trust evidently will not be treated as alimony.

1. The House Committee Report to TRA 1984 related to enactment of IRC §1041 stated: "Where . . . a beneficial interest in a trust is transferred or created, incident to divorce or separation, the transferee will be entitled to the . . . usual treatment as the beneficiary of a trust (by reason of IRC §682), notwithstanding that the payments by the trust qualify as alimony or otherwise discharge a support obligation."

2. Consider a QTIP trust to fund support payments for the former spouse. (QTIP means Qualified Terminal Interest Property which is property passing to a spouse who is entitled to all income from the property (or a portion thereof) for life, payable at least annually. For estate planning purposes, the life interest to the spouse is not treated as a terminal interest which would otherwise be included in the decedent, grantor's estate. However, if the spouse's income interest will lapse after a term of years or is subject to termination upon remarriage, it is not a qualifying interest). The paying (wealthier) spouse achieves two goals:

   a. Control. Funds contributed to the QTIP trust can be managed by a trustee rather than the spouse. Upon the

spouse's death, the after tax balance of the QTIP trust will be transferred to beneficiaries of the payor's choosing. Particularly where closely held business assets are involved, the payor may be willing to create a larger QTIP trust for the payee's spouse in return for his ability to retain control.

b. Use of the Spouse's Unified Credit. The payer's spouse will indirectly be able to use the payee spouse's estate tax applicable exclusion ($1,500,000 for 2004 and 2005) to shelter from estate tax part or all of the trust property passing at the spouse's death. In doing so, the payor should expressly reserve the right to make the election as to the property transferred to the QTIP trust.

c. A QTIP trust may be the most satisfactory solution for an older spouse. It will also work best if the payor is not concerned about the potential remarriage of the other spouse (when his or her alimony obligation would normally cease).

B. Some taxpayers may satisfy their alimony obligations by purchasing an annuity for the former spouse or by transferring an existing annuity to him or her[2]. There are no tax consequences on the transfer. The recipient, not the obligor, realizes taxable income on the payments. However, a portion of every payment representing the pro rata share of the recipient's investment in the contract is excluded from gross income. The "investment in the contract" is the sum of all premiums and other consideration paid for the annuity either by the obligor or recipient spouse and is considered transferred to the payee-spouse under IRC §1041. Note: To have the annuity rules apply instead of direct alimony rules, the divorce or separation instruments should provide that payments made under the annuity contract are not to be taxed under the alimony rules.

III. Gift and Estate Transfer Tax Planning for the Divorced (Unmarried) Client

A. Gifting.

1. Basic, but significant estate reduction technique.

2. Federal Gift is tax levied on transfers of property made without adequate and full consideration.

3. Available Exclusions:

a. Annual exclusion of $11,000 per donee for gifts in any year.

b. Unlimited educational and medical expense exclusions.

(1) Payments must be made directly to an educational organization for tuition payments.

(2) Amounts must be paid to health care providers for medical services on behalf of a donee.

(3) There is no relationship requirement between donor and donee.

4. Unified Gift Tax Credit. A $1,000,000 per donor lifetime mandatory unified credit against Gift Tax is applied following annual exclusion for excess gifts. The credit will reduce the Federal Estate Tax credit available at death of donor. The Gift Tax will remain in place following the Federal Estate Tax repeal in 2010.

5. Maximum use of gifts can be made by leveraging non-marketable interests in LLCs, partnerships and transfer-restricted close corporation stock.

B. Transfers (Gifts) at Death Subject to Federal Estate Tax.

1. Unified Estate and Gift Tax Rate Schedule. 2002-2009

(A) Amount Subject to Tax More Than -	(B) Amount Subject to Tax Equal To or Less Than -	(C) Tax on Amount in Column A	(D) Rate of Tax on Excess Over Amount in Column A Percent
1,000,000	1,250,000	345,800	41
1,250,000	1,500,000	448,300	43
1,500,000	2,000,000	555,800	45
2,000,000	2,500,000	780,800	49
2,500,000	…………	1,025,800	50*

*The Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) (2001 Act) reduced the top marginal rate for years after 2002 according to the following schedule:

49% for decedents dying and gifts made in 2003
48% for decedents dying and gifts made in 2004
47% for decedents dying and gifts made in 2005
46% for decedents dying and gifts made in 2006
45% for decedents dying and gifts made in 2007, 2008 and 2009

2. There is a credit against Federal Estate Tax, previously known as the Unified Credit but no longer unified after 2001. The applicable exclusion amount(s) for the years 2002 through 2011 appear as follows:

Year	Applicable Credit Amount	Applicable Exclusion Amount
2004-2005	555,800	1,500,000
2006-2008	780,800	2,000,000
2009	1,455,800	3,500,000
2010 (Estate Tax Repealed)	0	0
2011 (Estate Tax Reinstated	345,800	1,000,000

3. Note: the gift tax applicable credit amount for the years 2004 through 2009 will remain at $1,000,000.

4. The 2001 Act repealed the Estate and generation-skipping tax (GST) (discussed later) in 2010.

5. Step Up in Basis. Until 2010, the income tax basis of property acquired from a decedent by bequest, devise or inheritance is its fair market value on the date of death of the decedent. However, for decedents dying after December 31, 2009, the step up basis will no longer apply.

   a. The 2001 Act repeals the estate tax after December 31, 2009.

   b. The income tax basis in 2010 will be the decedent's basis, similar to receiving a gift during the lifetime of the donor.

   c. The sunset provisions of the 2001 Act are effective in 2011. The new carryover basis rule will therefore expire if Congress does not act.

6. Sunset Provision. In order to comply with the Correctional Budget Act of 1974, the 2001 Act provides that all provisions of and amendments made after December 31, 2010, will not apply to estates of decedents dying after that date. Unless Congress acts affirmatively, the Internal Revenue Code will be applied and administered as if these provisions had not been enacted (i.e., return to 2001 tax law for rates and credits).

C. Transfers at Death Subject to Illinois Estate Tax

1. Effective January 1, 2003, Illinois Estate Tax is no longer linked to the "allowable" state death tax credit on the Federal Estate Tax Return.

   a. Under Federal law (the 2001 Act), the allowable State Death Credit was reduced by 25% for 2002 decedents, by 50% for 2003 decedents and by 75% for 2004 decedents, and totally eliminated for decedents dying after January 1, 2005.

2. The Illinois Estate Tax imposes the full amount which could be calculated without considering the Federal reductions of the credit. Also, the Illinois Estate Tax will follow the Federal exemption equivalent until 2009 and thereafter remain at $2,000,000 (instead of increasing to $3,900,000 as under Federal law).

3. In 2010, where there is no Federal Estate Tax, there will also be no Illinois Estate Tax. However, in 2011 or after, the Illinois Estate Tax will return to the system in effect before the Federal legislation (the 2001 Act).

Example: Assume adjustable taxable estate after deductions of $5,040,000 for a 2004 decedent:

Federal Estate Tax		$2,245,000
Credit calculated from state death table	$ 290,800	
Allowable credit on FET Return		(72,700)
Net Federal Estate Tax		$2,172,300
Full Illinois Estate Tax		$ 290,800
Total Estate Tax		$2,463,100
The tax disadvantage to Illinois decedents:		$ 218,000

D. Generation Skipping Transfer Tax.

1. Federal law imposes a generation-skipping transfer tax (GST) on transfers to persons in a skip generation (after the first line of living descendants). Gifts subject to the tax are direct skips (gift from grandparent to a grandchild) or through life estates giving remainder interests to subsequent generations or a transfer of property to a trust exclusively for one or more of such skip beneficiaries. Transfers can be made during the transferor's lifetime or at death.

2. Effective with 2004 and later years, there is a GST tax exemption equal to the Federal Estate Tax applicable exclusion amount (i.e., $1.5 million in 2004 and 2005, and $2 million in 2006 through 2008).

3. There is a complicated tax rate involving the multiplication of the maximum Federal Estate Tax rate and an Inclusion Ratio with respect to the GST. An example of the application is as follows:

Example: Harry West dies in 2003 and his Will leaves his entire $5 million estate to his grandson, Jake (direct skip). Jake's father, Harry West's son, is still living.

Tax Base	$5,000,000
Tentative Estate Tax on above	2,250,000
Less: Unified Credit	(345,800)
Federal Estate Tax	$1,905,000 (a)
GST Tax Base ($5,000,000 - $1,905,000)	$3,095,000
Less: GST Tax Exemption	(1,120,000)
Net GST Tax Base	$1,975,000
GST Tax payable ($1,975,000 x .328859)	649,497 (b)
Total Transfer Tax	$2,554,497*

E. Avoiding the Transfer Taxes

1. Qualified Retained Interest Trusts

a. GRAT (Grantor Retained Annuity Trust). The grantor retains a right to received fixed payments for a specified

term, at the termination of which the trust property passes to remainder beneficiaries.

i. The amount of the taxable gift is reduced by the value of the grantor's annuity interest calculated at the time of the gift.

ii. If the trust investments outperform the IRS table rate used to value the remainder gift, the excess earnings inure to the benefit of the remaindermen (i.e., the children) and will not be subject to transfer tax.

iii. A zeroed out GRAT (where the value of the retained interest equals the value of the property transferred to the GRAT) results in little or no gift tax.

iv. If grantor fails to survive term of GRAT, the entire trust included in his estate:

Example: T transfers $500,000 to an irrevocable trust and retains the right to receive the greater of $20,000 or the trust income in each year for 10 years. Upon expiration of the 10-year term, the trust will terminate and the trust corpus will be distributed to T's child. If T dies before expiration of the 10-year term, the trust corpus will be distributed to T's estate. T's retained interest is a qualified annuity interest. T's gift will be valued as $500,000 less the value of T's retained interest as valued under §7520 (disregarding his right to receive income in excess of the $20,000 annuity).

b. GRUT (Grantor Retained Unitrust). This trust makes payments to the grantor at least annually, but the amount of the payments is a fixed percentage of the trust's assets determined annually.

i. The fixed percentage must not exceed 120% of the fixed fraction or percentage payable in the preceding year of the trust.

ii. At the termination of the fixed term or life of the holder, the trust property passes to the remainder beneficiaries (the children).

c. <u>Intentionally Defective Grantor Trusts (IDGT)</u>. Grantor trust made defective (i.e., trustee powers retained by grantor). Grantor sells appreciated assets to the trust in exchange for the trust's installment note. The note can be paid to the grantor at low AFR rates. Since this is a grantor trust, there is no gift tax consequence or capital gain tax since all income in the trust is taxed to the grantor anyway. If the grantor dies before the end of the installment period, <u>only</u> the value of the unpaid note will be included in the grantor's estate. With a GRAT or GRUT, the entire value of the trust assets are included in the grantor's estate if he dies before the end of the term.

d. <u>PRT (Personal Residence Trust). and QPRT (Qualified Personal Residence Trust</u>.

i. Trust holds first or second residence of grantor for the term of the trust. The interest of the grantor is computed under a more favorable table than the GRATs thereby reducing the amount of the remainder gift calculated at the commencement of the trust.

ii. QPRTs are similar only cash for mortgage payments, expenses and improvements within the next six months or funds to purchase a replacement residence within three months can be included.

(a) QPRTs can be converted to a GRAT at cessation of QPRT (no longer a residence).

e. <u>Life Insurance</u>. Life insurance can be used for funding the buyout of a partner or associate in business, establishing a pool of funds for retirement or college; and deferring compensation for business owners and key executives (i.e., creating loan values).

i. <u>Irrevocable Life Insurance Trusts (ILIT)</u>. An effective technique to exclude life insurance proceeds from an insureds estate is to transfer ownership in an existing policy from the insured to the trustee. If the insured lives for three years from the date of transfer, the trustee receives the proceeds at the insureds death outside the insureds taxable estate.

ii. If the trustee of the ILIT initially buys the policy, then the policy proceeds are immediately excludable from the insureds estate.

f. LLCs, Partnerships and Restricted Stock Corporations. Both minority and lack of marketability interest can be created and transferred through gifts utilizing popular business entities.

i. Limited Partnerships. Property can be transferred into a partnership and the partnership structured with a small general partner interest and larger limited partner interests.

ii. Ownership of limited partner interests can be subject to general partner's approval and other restrictions (not more extensive than allowed under state law).

iii. Due to lack of marketability (i.e., difficult to sell restricted interest), the interest remaining in the grantor at time of death may be valued using a lack of marketability discount and, if enough interest transferred, a minority interest discount. Together these may provide 20% to 40% discounts of the property interests retained by the grantor.

iv. Gifts of limited (unmarketable) partnership interests can be leveraged (i.e., more interest than direct ownership interest) since discounts apply to the minority, unmarketable interests transferred.

g. Close Corporations. If stock transfers are restricted by stock transfer restriction agreements, giving other family members a right of first refusal to purchase stock at death or during the lifetime, there will be similar lack of marketability and potentially minority interest discounts available to the decedent or transferor of such stock interests.

i. Such corporations can be recapitalized to create voting and non-voting stock to gift to children or to be contributed to a GRAT.

h. Limited Liability Companies.

i. These are hybrids between a corporation and a partnership. Unlike a partnership, there need be no general partner with unlimited liability.

ii. Alienability of membership interests can be restricted.

iii. Again, both lack of marketability discounts and minority interest discounts may be available to the decedent's estate upon death. Leveraged gifts can be made during lifetime of the owner.

VI. Practical Considerations Following Divorce

A. Life Insurance

An area that frequently causes problems in post-dissolution matters and with regard to estate planning is life insurance. The problems that must be addressed by the attorney at the time of the dissolution and immediately after dissolution are as follows:

1. Transfer of Beneficiary. It is important at the end of the dissolution process to notify your clients that they need to change their beneficiary designation on all life insurance policies. Failing to change the beneficiary designation can cause significant problems for your client and your client's estate in the future. A spouse who fails to remove his former spouse from his life insurance policy may well have the policy proceeds paid to a former spouse upon their passing. Even though the parties have agreed to the disposition of life insurance proceeds in a dissolution process, unless the beneficiary designation is changed, the life insurance proceeds may not be distributed in accordance with your client's understanding and plan. Issues of constructive trusts arise and litigation will most certainly commence over the life insurance proceeds unless the beneficiary designation is properly changed.

2. Minor children should not be named as the beneficiary of life insurance proceeds. Paying the sum to children will result in a guardianship proceeding being instituted which may distribute the assets to the children earlier than your client wishes to have them distributed.

3. Life insurance proceeds for minor children or children under the desired age of distribution should be payable to a Trustee. In the course of the dissolution negotiations, the person selecting the

Trustee should be the insured's choice if he or she is not agreeable to the former spouse being the Trustee. Not only is a designation on the life insurance policy necessary, but the Trust should be created and the terms of the Trust should be approved by both spouses in the dissolution process. A Trust should be created by a separate instrument, i.e., a Living Trust, or it may be created by execution of a Will. Of key importance is the distribution age for the minor children. Also of key importance is the options for the children's Trust.

(a) Option No. 1: The children's Trust can be held as a single Trust and used for all of the children collectively based upon need until the youngest child attains the age of 21 years. When the youngest child attains the age of 21 years, the Trust would be divided into one share for each child and a share for a descendants of a deceased child. Each child's share can then be distributed to the child at a delayed date, for example, 25 years of age or 30 years of age, and also be available for those children until they reach the desired distribution age.

(b) Option No. 2: The entire Trust would be divided into one share for each child. Each child's share would then be distributed based upon that child attaining a specified age as negotiated in the dissolution decree. One disadvantage to dividing the Trust equally upon the date of dissolution is that one child's needs may exceed the other and funds may not be there to provide for the child's needs from the Trust. The size and amount of life insurance agreed to will dictate how the Trust should be divided.

B. Powers of Attorney:

A person who has recently gone through a dissolution of marriage should execute new Powers of Attorney forms. The two types of Powers of Attorney that should be executed by your client are a health care Power of Attorney and a durable or financial Power of Attorney. Most clients are not aware that in the event of their incapacity, they may or may not have someone who is able to make medical decisions for them and control their finances during periods of incapacity. It is especially important for single parents to have someone designated to avoid lengthy Court proceeds to have the person declared disabled, either on a temporary or permanent basis, in order to maintain assets and make health decisions. Explain to your clients that it is important for them to select the people who will be in this position especially since they do not have a spouse who may have been able to do that if allowed by medical providers.

Health Care Power of Attorneys also enable clients to now make organ donation decisions as well as decisions on life support and to direct their agents to withhold life support services if the client wishes them to. A Durable Power of Attorney can also incorporate gift giving options which may enable estate planning to occur even after the disability of the client.

C. Retirement Plans:

Even though retirement plans have been divided between the parties in the Judgment for Dissolution of Marriage, it is important that your clients be apprised that they must physically change the beneficiaries on their plans to someone other than their former spouse. If they are setting up children's trusts in a Will or Living Trust, those children's trusts may be used as a beneficiary designation on their retirement plans.

D. Attorney Protection:

An attorney's failure to notify his clients in writing of the need to execute a new Will, Trust Agreement, change beneficiary designations on life insurance, annuities and retirement plans may result in liability to the attorney should a client fail to make these changes. In order to avoid any type of potential liability, every attorney in the dissolution area should send a letter to their client at the close of the dissolution process including admonitions to make the changes in their Wills, Trusts, beneficiary designation changes on retirement plans, life insurance policies and annuities, and also execute Power of Attorney forms. A letter will save many complications for practicing attorneys in the future.

Footnotes and Acknowledgments

[1] J.K. Lasser's "Year-Round Tax Strategies 2004", David S. DeJong, Esq., CPA and Ann Gray Jakabcin, Esq., Stein, Sperling, Bennett, DeJong, Driscoll & Greenfield, P.C., Attorneys at Law, Rockville, Maryland.

[2] CCH Incorporated, 2004 Standard Federal Tax Reporter, Impact of Divorce on Taxes, P 690; Treatment of Alimony P 6094; Assignments or Alienation of Benefits P 17,733.

[3] CCH Incorporated, 2004 Standard Federal Tax Reporter, P 29,802 non-recognition of Gain or Loss from Property Transfers Between Spouses or Incident to Divorce.

Biography

R. Stephen Scott, J.D., CPA, is a partner with Scott & Scott, P.C., Attorneys at Law, in Springfield, Illinois. He concentrates his practice in the areas of business and commercial law, estate planning and taxation, business bankruptcies, real estate and commercial litigation. He frequently lectures for the American Business Institute and participates in estate planning and tax lectures with the AAA-CPA, and various financial organizations. He received his Bachelor of Science Degree in Accounting from Marquette University in 1972. He received his Certificate as a Certified Public Accountant from the University of Illinois in 1976, and graduated with honors from IIT-Chicago Kent College of Law in 1977 where he earned his Juris Doctor Degree. Steve is admitted to practice before the United States District Courts for the Central and Southern District of Illinois, the United States Tax Court and the Illinois Supreme, Appellate and Circuit Courts.

Steve is an Adjunct Professor of commercial law at the University of Illinois in Springfield (UIS) where he has been teaching in the Accounting Department for more than 25 years. Steve holds leadership positions in several professional organizations. He is President-Elect and a Director of the American Association of Attorney-Certified Public Accountants, and Editor of the Corporate Law Department's Section Council of the Illinois State Bar Association. He formerly served as President and remains a Director of the Illinois Association of Attorney-Certified Public Accountants (IAA-CPA), and is a member of the American Inns of Court-Lincoln Douglas Chapter. Steve is also a Regent with the American College of Attorney-Certified Public Accountants.

Steve has served the community through participation in civic, charitable and educational groups. He was President of Kids At Heart, Inc., which built and operated the Ronald McDonald House in Springfield, Illinois. He formerly served as Commodore of Island Bay Yacht Club and President of the Springfield Ski Club. He is a member of the Board of Directors of the Sangamon Club in Springfield.

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Greg is a member of the American Bar Association, Illinois State Bar Association and the Sangamon County Bar Association, where he has served in the capacity of President, Vice-President and Treasurer. He serves as a member of the Illinois State Bar Association Family Law Section Council and is the current Co-Chairman of the Continuing Legal Education subcommittee of the Section Council. Greg is also a member of the American Inn of Court, Lincoln-Douglas Chapter, and a member of the Leading Lawyers Network.

Greg concentrates his practice in the area of family law, in both the Trial and Appellate Court level. He also practices in the areas of estate planning and real estate, and maintains a general practice.