

## Sample Gift Tax Return Attachment

Taxpayer: John and Mary Doe  
Taxpayer ID Number: 999-99-9999

IRS Form: 709  
For Tax Year Ending on 12/31/99

Attachment to Form 709, Page 2, Schedule A, Part 1, Section E – Value at Date of Gift

### 1. Description of Transaction:

Donor, John Doe, made a gift on November 15, 1999 to his daughter, Jane, of 25% of his Investor Class membership interest in ABC, LLC, a North Carolina limited liability company (see the attached Articles of Organization and LLC Operating Agreement). The Donor owned 70% of the Investor Class membership interests in ABC, LLC prior to the transfer gifting 17.5% of the Investor Class membership interests to his daughter and retaining 52.5% of his Investor Class membership interests in ABC, LLC

### 2. Identification of Parties:

(a) Donor: John Doe is the father of the Donee, Jane Doe.

(b) Donee: Jane Doe is the daughter of the Donor, John Doe. The gift was transferred to Mary through her trust "The Mary Doe Irrevocable Trust dated 1/15/97", which provides income and principal to Mary as the beneficiary of the trust in the absolute discretion of the Trustee of the trust. The federal ID number for this Trust is 58-9999999.

(c) Other related parties:

(1) LLC Manager: The Donor and his wife, Mary Doe, control the Manager Class membership interest, representing 1% of the LLC's outstanding membership interests, as Co-Trustees of an irrevocable trust, known as "The ABC Management Trust dated 12/15/96". The federal ID number for the management trust is 58-8888888.

(2) Remaining LLC Member: Mary Doe is the owner of the remaining 30% of the Investor Class membership interests in ABC, LLC. Mary is John's wife and also Jane's mother.

### 3. Valuation Method:

The Donor engaged Edward Expert of XYZ Appraisal Services, Inc, a Member of the Appraisal Institute (MAI), to determine the value of the real property in the LLC as of 11/15/99, the date of the gift. 75% of the property in the LLC consisted of real property, and the balance was made up of publicly traded marketable securities and cash. The appraised value of the real property in the LLC was determined to be \$750,000 on 11/15/99 under the Comparative Sales Approach and the liquid assets had a current value of \$250,000 on that date for a total of \$1,000,000.

The fair market value of the LLC and the fair market value of the gift were determined independently

as of 11/15/99 by AI Appraiser of Business Valuation Experts, Inc, an experienced business valuation expert from: (1) the MAI Appraisal Report from XYZ Appraisal Services; (2) the financial statements prepared in accordance with generally accepted accounting principals (GAAP) by the LLC's CPA (see the attached Balance Sheet and Income Statement as of 11/15/99 along with the Summary of Disbursements for the 3 years of the LLC's existence, including the Review prepared for the first three quarters of 1999); (3) personal evaluation and inspection of the properties by the business valuation expert; and (4) a comparative analysis of similar businesses that own similar properties located in the same vicinity where the real property is located. AI Appraiser determined that the value of the gift made by the Donor to the Donee on 11/15/99 was \$105,000. The minority interest in the LLC transferred to the Donee was discounted 40% due to its fractional nature, and for its lack of marketability in accordance with the business valuation expert's written opinion. The discount for lack of marketability was heightened by restrictions on transfers requiring written approval by the LLC manager and by those holding at least 80% of the Investor Class membership interests.