



WHAT ARE FRACTIONAL INTEREST GIFTS?

Gifts of fractional interests in assets such as real estate, limited liability companies and closely owned corporations can be an effective way to leverage the use of your available gift and GST exemptions because the fair market value of a fractional interest in property is often less than its corresponding proportion of the fair market value of a 100% interest in the property. This is because there is no ready market for the sale of those fractional interests and those who own fractional interests have little or no control over the property. Therefore, an appraiser will take into account this lack of marketability and lack of control when valuing the fractional interest. Any of the trusts discussed above can be funded with fractional interests in property that take advantage of this valuation method in assessing fair market value.