

after Oct. 22, 1986, except as otherwise provided, see section 1433 of Pub. L. 99-514, set out as a note under section 2601 of this title.

[§ 2664. Repealed. Pub. L. 111-312, title III, § 301(a), Dec. 17, 2010, 124 Stat. 3300]

Section, added Pub. L. 107-16, title V, § 501(b), June 7, 2001, 115 Stat. 69, related to termination of applicability of chapter to generation-skipping transfers after Dec. 31, 2009.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF REPEAL

Repeal of section applicable to estates of decedents dying, and transfers made after Dec. 31, 2009, except as otherwise provided, see section 301(e) of Pub. L. 111-312, set out as an Effective and Termination Dates of 2010 Amendment note under section 121 of this title.

CHAPTER 14—SPECIAL VALUATION RULES

Sec.	
2701.	Special valuation rules in case of transfers of certain interests in corporations or partnerships.
2702.	Special valuation rules in case of transfers of interests in trusts.
2703.	Certain rights and restrictions disregarded.
2704.	Treatment of certain lapsing rights and restrictions.

§ 2701. Special valuation rules in case of transfers of certain interests in corporations or partnerships

(a) Valuation rules

(1) In general

Solely for purposes of determining whether a transfer of an interest in a corporation or partnership to (or for the benefit of) a member of the transferor's family is a gift (and the value of such transfer), the value of any right—

- (A) which is described in subparagraph (A) or (B) of subsection (b)(1), and
- (B) which is with respect to any applicable retained interest that is held by the transferor or an applicable family member immediately after the transfer,

shall be determined under paragraph (3). This paragraph shall not apply to the transfer of any interest for which market quotations are readily available (as of the date of transfer) on an established securities market.

(2) Exceptions for marketable retained interests, etc.

Paragraph (1) shall not apply to any right with respect to an applicable retained interest if—

- (A) market quotations are readily available (as of the date of the transfer) for such interest on an established securities market,
- (B) such interest is of the same class as the transferred interest, or
- (C) such interest is proportionally the same as the transferred interest, without regard to nonlapsing differences in voting power (or, for a partnership, nonlapsing differences with respect to management and limitations on liability).

Subparagraph (C) shall not apply to any interest in a partnership if the transferor or an ap-

plicable family member has the right to alter the liability of the transferee of the transferred property. Except as provided by the Secretary, any difference described in subparagraph (C) which lapses by reason of any Federal or State law shall be treated as a nonlapsing difference for purposes of such subparagraph.

(3) Valuation of rights to which paragraph (1) applies

(A) In general

The value of any right described in paragraph (1), other than a distribution right which consists of a right to receive a qualified payment, shall be treated as being zero.

(B) Valuation of certain qualified payments

If—

- (i) any applicable retained interest confers a distribution right which consists of the right to a qualified payment, and
- (ii) there are 1 or more liquidation, put, call, or conversion rights with respect to such interest,

the value of all such rights shall be determined as if each liquidation, put, call, or conversion right were exercised in the manner resulting in the lowest value being determined for all such rights.

(C) Valuation of qualified payments where no liquidation, etc. rights

In the case of an applicable retained interest which is described in subparagraph (B)(i) but not subparagraph (B)(ii), the value of the distribution right shall be determined without regard to this section.

(4) Minimum valuation of junior equity

(A) In general

In the case of a transfer described in paragraph (1) of a junior equity interest in a corporation or partnership, such interest shall in no event be valued at an amount less than the value which would be determined if the total value of all of the junior equity interests in the entity were equal to 10 percent of the sum of—

- (i) the total value of all of the equity interests in such entity, plus
- (ii) the total amount of indebtedness of such entity to the transferor (or an applicable family member).

(B) Definitions

For purposes of this paragraph—

(i) Junior equity interest

The term "junior equity interest" means common stock or, in the case of a partnership, any partnership interest under which the rights as to income and capital (or, to the extent provided in regulations, the rights as to either income or capital) are junior to the rights of all other classes of equity interests.

(ii) Equity interest

The term "equity interest" means stock or any interest as a partner, as the case may be.