

▲ Tax Deferral Eliminated



Until recently, a shareholder ("Father/Seller") could sell his stock in a closely held business to his son ("Buyer/Son") at a price equal to its then fair market value in exchange for the Buyer/Son's unsecured promise to pay him a fixed annuity for life. This tax planning technique accomplished three things. First, Father/Seller was able to defer the income tax gain on the sale of his stock over his lifetime. Second, the Buyer/Son acquired immediate ownership and control of the family business. Third, if Father/Seller died prematurely, no additional annuity payments would be owed by him to Buyer/Son and Father/Seller's income tax obligation would end at death. This tax planning technique, called a sale of stock in exchange for a private annuity, was recently eliminated by the Internal Revenue Service in proposed regulations for many annuities, with some exceptions. In this example, because only individuals are involved and the annuity is unsecured, Father/Seller would still defer income tax if the sale takes place no later than April 18, 2007 and Buyer/Son does not resell the stock within two years.

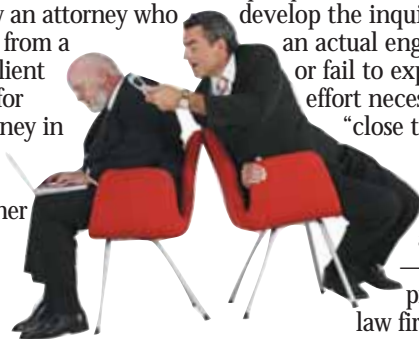
William Forsberg
Parsinen Kaplan Rosberg & Gottlieb
Minneapolis
[wforberg@parlaw.com](mailto:wforsberg@parlaw.com)

N.W.2d 872 (Minn. App. 1985), the court held that because the engagement ring "is acquired before the marriage," it's nonmarital. Regarding return of the ring before marriage, the court more recently held that if the engagement is called off, the ring must be returned to the donor regardless of who called it off or why (the minority "no-fault" rule), partly because the ring is a conditional gift, only becoming "absolute" when the marriage occurs (the majority position). *Benassi v. Back and Neck Pain Clinic*, 629 N.W.2d 475 (Minn. App. 2001). Wait a minute; didn't *Linderman* say it's nonmarital because it was acquired before the marriage? And isn't marital property acquired "subsequent" to the marriage? See Minn. Stat. §518.64. Maybe one could argue it's nonmarital because it was given (just not vested) before the marriage, but I prefer to argue that it's neither marital nor non-marital, and recommend donating all engagement ring divorce proceeds to the Recovering Family Lawyer Relief Fund.
Mark A. Haase
Attorney at Law
Minneapolis
mah@markhaase.com

▲ Internal Referrals

Periodically an attorney who gets a call from a prospective client may arrange for another attorney in the firm to handle the matter, whether because she's too busy or because the legal issue is outside his area of expertise. If handled properly, such internal referrals can be a significant source of practice development.

Regardless of the reason for the referral, a successful engagement is not always a sure thing. A number of "inhibitors" need to be understood and addressed before success can be assured. Attorneys referring the work may overestimate the value of the engagement, fail to secure enough information from the prospective client to support a successful engagement, or withdraw from the engagement process before the client has retained the firm. The attorney receiving the referral may overestimate the problems with the new matter, fail to ask enough questions of the referring attorney or of



the prospective client to develop the inquiry into an actual engagement, or fail to expend the effort necessary to "close the deal."

By recognizing — and avoiding — these practices a law firm can

improve the success of such internal referrals of legal work.

Michael J. Ford
Quinlivan & Hughes, P.A.
St. Cloud
mford@quinlivan.com

▲ That Magic Moment

Who gets the engagement ring after a divorce? What about when an engagement is called off? Minnesota law provides pretty straightforward answers when these questions are considered separately, but things get fuzzy when you look at the answers together. Regarding post-marriage return, in *Linderman v. Linderman*, 364



▼ Health Care Paybacks

Federal law provides that no payment may be made by any federal health care program, including Medicare and Medicaid, for any items or services furnished, ordered, or prescribed by an "excluded" individual or entity. An individual or entity may be excluded as the result of a conviction for program-related fraud or patient abuse, a professional licensing board action, or default on Health Education Assistance Loans. An excluded person or entity may not provide services paid for by government health care program funding in any capacity whatsoever.

Employers who receive funding from any government health care program should check the Office of Inspector General

(OIG) Exclusion List at <http://oig.hhs.gov/fraud/exclusions/listofexcluded.html> as part of their hiring and updating procedures to prevent hiring or continued employment of excluded individuals or entities. Failure to do so could result in costly paybacks. The list of excluded persons and entities is available both online and in downloadable form, and is updated regularly.

Mary Martin
Law Offices of Mary K. Martin
South St. Paul
MMinlaw@aol.com

