

the property purchased. Third, where it is found that the corporate foundation is the sole user of a piece of business equipment (not real estate) and it is highly inefficient to maintain a lease situation, the trust should sell that equipment to the foundation. This sale should be at reasonable value, and perhaps at a low value to avoid tax consequences and depreciation recapture.

(c) Perhaps the most common situation in income channeling, however, occurs when one deals with other business organizations. We have developed three common situations with variations to apply to most income conditions. We would like to close the seminar with a short discussion of these three methods of income channeling. We call them the tax-exempt piggy bank method, the dairy or milking operation, and the clinic operation.

(Note to Instructor. Since this next section involves advice on the reasonable effect of legal instruments, it is advised that you allow your associate counsel to explain these various estate plans. In the State of Connecticut, New York, California, and Illinois direct advice concerning the legal consequences derived from the use of a technical instrument has been construed as the practice of law, and in these four states such advice