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<http://www.wsj.com/articles/how-donald-trumps-web-of-llcs-obscures-his-business-interests-1481193002>

POLITICS

How Donald Trump's Web of LLCs Obscures His Business Interests

The opacity of his holdings makes it impossible to gauge the full extent of potential conflicts he may face as president



Donald Trump arrived by helicopter in June to officially open his Trump Turnberry golf resort in Ayr, Scotland, after an eight-month refurbishment. *PHOTO: JEFF J. MITCHELL/GETTY IMAGES*

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President-elect Donald Trump owns a helicopter in Scotland.

To be more precise, he has a revocable trust that owns 99% of a Delaware limited liability company that owns 99% of another Delaware LLC that owns a Scottish limited company that owns another Scottish company that owns the 26-year-old Sikorsky S-76B helicopter, emblazoned with a red "TRUMP" on the side of its fuselage.

Across Mr. Trump's business, he uses a similar web of privately held LLCs and other entities to house his assets—everything from real estate to a vintage carousel in Manhattan's Central Park, according to a Wall Street Journal analysis of hundreds of pages of his corporate filings and personal financial disclosures. Fifteen entities, for example, are used to hold his interests in two airplanes and three helicopters.

Roughly half—at least \$304 million—of the revenue Mr. Trump reported in a federal financial disclosure form earlier this year came from assets held in 96 different LLCs, according to the Journal's analysis. Those assets include a skyscraper at 40 Wall Street in Manhattan and the Mar-a-Lago Club in Palm Beach, Fla.

THE TRUMP TRANSITION

Trump Goes His Own Way in Vetting Top Picks

Unlike his two predecessors, President-elect Donald Trump has adopted public and freewheeling approach to vetting potential candidates for top jobs in his administration.

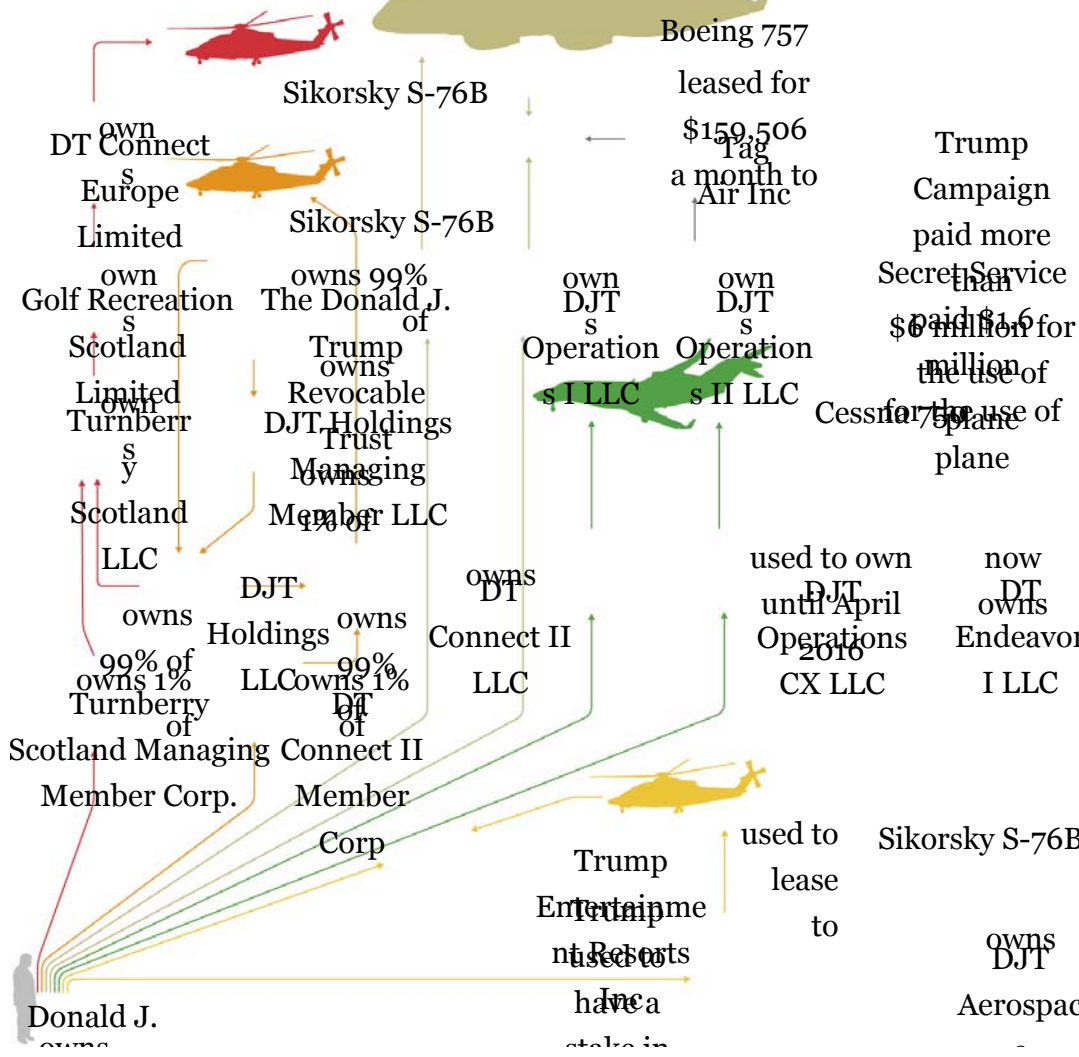
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LLCs registered in Delaware are widely used for real estate because of their tax advantages. They can allow income and costs to be “passed through” to the owner and then used to offset other profits or losses, rather than the entity itself having to pay tax.

Flight Paths

How Donald Trump uses LLCs and other entities to own his aircraft



Graphic by Hanna Sender; reporting from Jean Eaglesham and Mark Maremont

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even disclose the identity of the owner. In addition, the most a member of an LLC can lose if the company fails is normally the amount he or she has invested in that company—unless there is a personal guarantee.

None of the 96 LLCs examined by the Journal appear to regularly release audited financial statements. That opacity—compounded by Mr. Trump's decision to break with decades of precedent by declining to release his tax returns—makes it impossible to gauge the full extent of potential conflicts between his business interests and presidential role.

The scope and complexity of Mr. Trump's private business holdings is unprecedented for incoming presidents, said Norman Eisen, President Barack Obama's former White House ethics lawyer. "We've never seen anything like this," he said.

It's not clear how much Mr. Trump's businesses would benefit from his proposal to cut business tax rates.

Richard Painter, the chief ethics lawyer in President George W. Bush's White House, said Mr. Trump's network of LLCs also could conceal loans that haven't been publicly disclosed. "There may or may not be much more leverage than we know about," he said.

Aides to Mr. Trump didn't respond to multiple requests for comment.

Mr. Trump's 25-year-old Boeing 757-200, nicknamed "Trump Force One" for its frequent use in the presidential campaign, offers an example of how his businesses are set up in a way that may generate significant tax savings or other benefits, a strategy used by other jet owners.

The plane, customized with gold-plated bathroom faucets and other luxury fittings, is owned by DJT Operations I LLC, a limited liability company owned by Mr. Trump. That company, in turn, leases the aircraft to Tag Air Inc., another Trump entity, which itself is owned by another limited liability company, DJT Operations II LLC, according to Federal Aviation Administration records.

Leasing a plane in-house in this way can slash the amount of upfront sales tax due on the purchase. "It's a very common tax-planning strategy for jets," said Keith G. Swirsky, an aviation-law attorney. In many states, aircraft owners who effectively lease to themselves can avoid paying sales tax upfront, but instead pay sales tax on the monthly lease payments. That can stretch the tax bill over a decade or even longer.

If this applied to the 757, which records show was internally leased on the same day in August 2010 that Mr. Trump bought it from Microsoft Corp. co-founder Paul Allen, Mr. Trump could have avoided upfront New York sales tax of 8.875%. That translates to a saving of \$3.1 million on the plane's 2011 insured value of about \$35 million.

Instead, the sales tax due would have been about \$170,000 a year, based on the \$159,506 monthly rent shown in FAA records. And the tax bill could now be zero, because New York state changed its laws to stop charging sales taxes on most corporate jets as of September 2015.



Mr. Trump signed a 10-year agreement to run the carousel in New York's Central Park. *PHOTO: ASSOCIATED PRESS*

New York's Central Park has a carousel that dates back to 1908, with brightly painted, hand-carved horses circling to calliope organ music. In 2011, Mr. Trump signed a 10-year agreement to run the carousel. The \$3 admissions generated \$702,961 in revenue in the 17 months through May, according to Mr. Trump's financial disclosure form filed with the Federal Election Commission.

The concession rights are held by Trump Carousel LLC, a Delaware company that is owned 99% by Mr. Trump and 1% by Trump Carousel Member Corp., another Delaware company that is in turn wholly owned by Mr. Trump.

Multiple lawyers contacted by the Journal said it was unclear exactly why Mr. Trump would structure his ownership that way, although they said it is likely designed to minimize taxes.

Mr. Trump used a similar template in 2013 when he bought a luxury villa on the French West Indies island of St. Martin, according to his financial disclosures. The villa, called Le Chateau des Palmiers, consists of a pair of ornately decorated houses just off a white sand beach.

Mr. Trump earned rental revenue of between \$100,001 and \$1 million from his St. Martin property, which is valued at between \$25 million and \$50 million, the disclosure showed. The property is owned by an entity called Excel Venture I LLC. Excel Venture I, incorporated in Delaware, is owned 99% by Mr. Trump and 1% by Excel Venture I Corp., another Delaware company, that is in turn owned 100% by Mr. Trump.

Mr. Trump's wealth is impossible to measure with precision. His financial disclosure form isn't externally audited and—following government rules—often uses bands, such as more than \$50 million, rather than exact amounts to report assets and revenue or income.

Only a handful of the hundreds of entities listed in Mr. Trump's financial disclosure publish audited financial statements—and those figures don't necessarily illuminate Mr. Trump's financial situation.

One example is the Scottish helicopter, which Mr. Trump used over the summer when he visited his seaside golf resort in Turnberry, Scotland. The company he uses to own the helicopter, DT Connect Europe Ltd., is reported in his disclosure form as producing \$15,001 to \$50,000 of revenue for 2015 through May 2016.

DT Connect Europe Ltd.—which Mr. Trump owns via majority and minority stakes in seven different legal entities—publishes annual financial results in Scotland, where it is incorporated. Those accounts show that DT Connect Europe Ltd. lost money last year. The accounts omit an income statement; instead they show a loss of GBP448,860 (approximately \$673,000, based on exchange rates at the end of 2015).

—*Andrea Fuller contributed to this article.*

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