

# The Good, the Bad, and the Dutton (Ugly) Estate Plan for Yellowstone Ranch

*presented by*  
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*Yellowstone* is an American neo-Western drama television series that follows many conflicts over borders and control of the Yellowstone Ranch, a vast cattle ranch surrounded by the Broken Rock Indian reservation, Yellowstone National Park, and rival land developers. The Dutton family constantly faces threats to family ownership of the ranch.

## Main Characters



John Dutton III



Kayce Dutton



Beth Dutton



Monica Long Dutton



Jamie Dutton



Rip Wheeler

## Our Purpose

- This presentation is designed to provide a hypothetical scenario inspired by the Dutton family from the *Yellowstone* mini-series.
- It incorporates effective legacy, tax, and succession planning tools that would have preserved the Yellowstone Ranch and helped to avoid, or minimize, intergenerational conflict.

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## First Meeting with John Dutton

**First words out of John Dutton's mouth:**

**“All I have is this land. And I'm not selling a damn inch of it.”**

**He explains that their fight against development is their way of keeping the ranch within the family. Development would not only mean the losing the land, but also the family's identity.**



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## Threats to the Dutton Family & Ranch

THREAT	EXAMPLE / SOURCE	UNDERLYING THEME
Development & Corporations	Market Equities, Airport Plans	Modern Capitalism vs. Heritage
Politics & Taxes	Property Valuation Hikes, Governor Race	State Power & Land Rights
Native Land Claims	Broken Rock Reservation	Justice, History, Sovereignty
Violence & Family Betrayal	Jamie's Turn, Beth's Revenge	Internal Decay Mirrors External Assault
Financial Fragility	Lack of Liquidity, Tax Burdens, Cash Flow	OH SHIT!!

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## Step 1 to the Solution

How do we make the property less valuable without changing its use and making it “worth less” to the family?

- The ranch is worth \$200 million and would be subject to the 40% federal estate tax (or \$80 million in tax).

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## Conservation Easement

- A conservation easement is a voluntary agreement that limits land use forever. The land doesn't change ownership.
  - Restricts development by preventing certain uses
  - Preserves current status – open space, habitats, scenic views, etc.
  - “Runs with the land” – restrictions apply to all future owners of the land
  - The Rocky Mountain Elk Foundation (RMEF) is a conservation organization with whom the Duttons could potentially work.

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## Easement Benefits

- Property Value: Assessed as permanent agricultural/open space → major drop in taxable value.
- Property Tax: Annual county tax drops proportionally.
- Control: Family retains management, ranching, and limited building rights.
- Public Access: *Optional* – RMEF often allows private-only access easements (not required to open to public).
- Perpetuity: Future owners, even descendants, are legally bound to conservation terms.

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## How It Could Happen

Beth convinces John to donate the easement to the Rocky Mountain Elk Foundation:

- “If we give it to them, no developer, no governor, no Market Equities lawyer can ever touch it. The ranch becomes what it was always meant to be – untouchable.” *Beth Dutton*



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## Estate Tax Impact Comparison (2026)

Scenario	FMV of Ranch	§2031(c) Exclusion	Taxable Estate	Estate Tax (40%)
No Easement	\$200,000,000	\$0	\$200,000,000	\$69,368,000 <sup>1</sup>
With Easement	\$40,000,000	\$500,000	\$39,500,000	\$5,168,000 <sup>2</sup>

1	$\$200,000,000$ (less exemption $\$26,580,000$ ) = $\$173,420,000 \times 40\%$ = $\$69,368,000$
2	$\$39,500,000$ (less exemption $\$26,580,000$ ) = $\$24,500,000 \times 40\%$ = $\$5,168,000$

\*John's spouse died in 2019 and her estate elected portability.

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## Impact – Key Takeaways

- Estate Tax Savings
  - By granting a conservation easement, estate tax drops by \$64.2 million
- Charitable Income Tax Deduction
  - So, for John Dutton, if the conservation easement produces a \$160 million qualified charitable deduction, he will likely not have to pay Federal income tax for the remainder of his life!!

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## Impact – Key Takeaways

### Special Tax, Preference for Qualified Rancher

- If John Dutton qualifies as a “qualified farmer or rancher” under Section 170(b)(1)(E)(iv):
  - The deduction limit can increase from 30% to **100%** of AGI (subject to retaining the land’s use for agriculture).
  - Any unused portion beyond that AGI limit can still be carried forward for up to 15 years (see PATH Act of 2015, extended by subsequent legislation)
  - To qualify, more than **50% of gross income** must come from farming/ranching, and the easement must permanently preserve agriculture use.

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## Impact – Key Takeaways

Condition	Rule	Carryforward
Standard conservation easement	30% of AGI limit	5-year carryforward (Section 170(d)(1))
If “qualified farmer or rancher”	100% of AGI limit	15-year carryforward (Section 170(b)(1)(vi))
Easement given by disregarded entity wholly owned by John	John claims deduction personally; same carryforward rules apply	

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## Impact – Key Takeaways

- Land Preservation + Family Control
  - Because the ranch can still be used for grazing or agriculture under the easement, the Dutton family retains operational use, while protecting the land from development *forever*.

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## Step 2 – Longterm Control, Asset Protection and Management

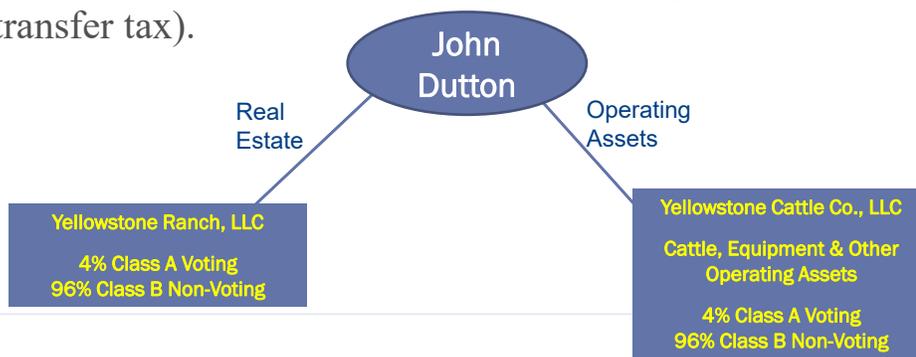
- The Duttons create two LLCs: one to hold the land (the “**Yellowstone Ranch, LLC**”) and one to own the operating aspects of the ranch (the “**Yellowstone Cattle Co., LLC**” or the “**Cattle Co.**”).
- Separating the real property (dirt) from the operations (Cattle Co.) is done to partition off the risk that comes with the operating Cattle Co. (think John Dutton’s wife being thrown off horse and killed).
- The LLC structure also provides centralized management through generations (more to come on this).
- Allows fractional interests to be created and gifted for additional flexibility.

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## The Formation Process

- **Step 1:** John creates the LLCs
- **Step 2:** John contributes \$40 million post-easement Yellowstone Ranch (unlike in PA, Montana does not impose a 2% real property transfer tax).



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## The Formation Process

- Both LLC Operating Agreements provide for two types of membership interest (equity).
  - Class A Voting Membership Interest – 4%.
    - John will retain the voting membership interests until (1) he decides the family can undertake the management of the ranch or (2) his death.
  - Class B Non-Voting Membership Interest.
    - Same exact rights as Class A, except no voting rights.
    - John gifts to separate Grantor Trusts for his children (children are their own trustees).
    - 35% valuation discount applied (lack of control and marketability)
    - Discounted value: \$26 million

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## LLC Operating Agreement

- Key Provisions to consider:
  - Manager-managed LLC centralizes management in one or more managers.
  - Class A voting and Class B non-voting interests separate control from economic benefit.
  - Transfer restrictions: Prohibit transfers of interest without consent of managers and a majority of members.
  - Buy-Sell provisions: Might allow for a put and call option for members and LLC.
    - Example terms: 15 year buyout based on valuation, taking into account a conservation easement.

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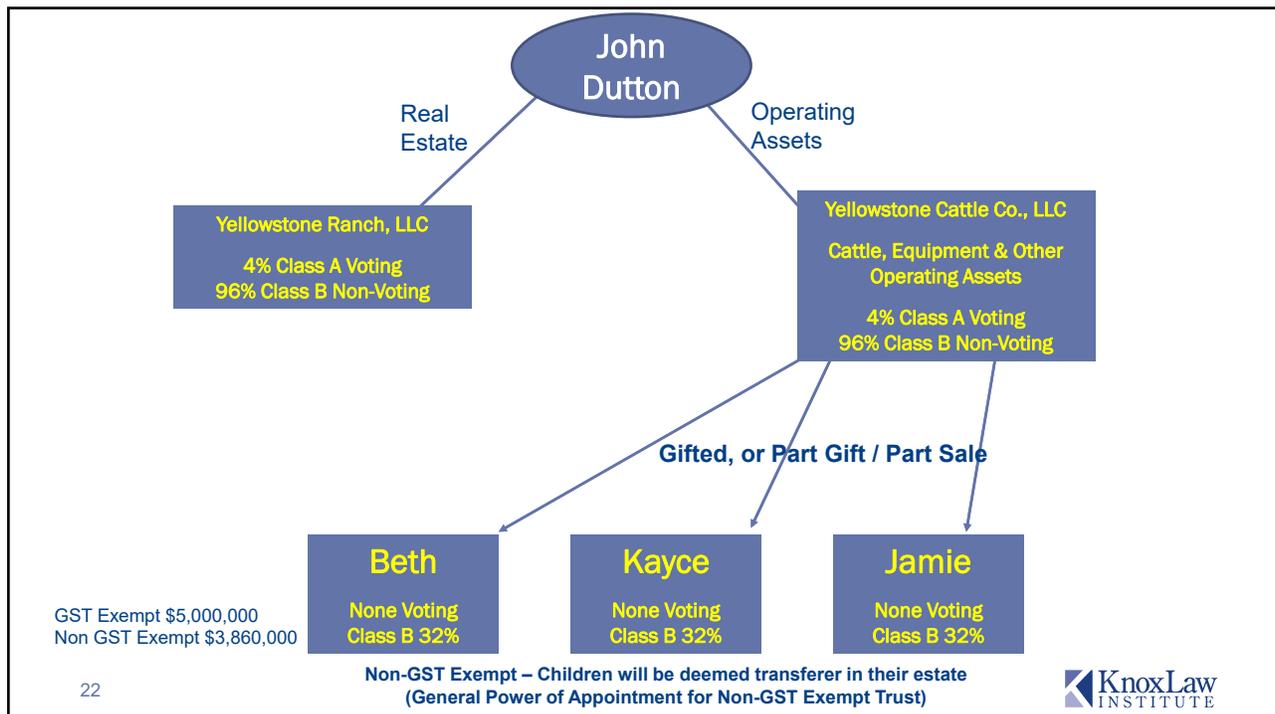


## Step 3 to the Solution: the “NUMBERS”

John: “Now Tom, this all sounds good while we are drinking bourbon, but I am not made of money. This ranch makes a lot of money, but it costs A LOT to operate. Not much money sticks around.”

- John’s 2026 lifetime exemption: \$15 million
- Wife’s DSUE (she died in 2019): \$11.58 million
- Total exclusion available: \$26.58 million
- Gifted LLC non-voting units valued at \$26 million (post-discount)
- Result: Gift tax-free using combined exclusions

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## Step 4 – Estate and Property Tax Results

- Estate tax exposure on ranch: \$0 (fully excluded)
- Estimated estate tax savings: ≈ \$16 million (40% of \$40 million)
- Property tax base reduced due to easement + ag classification
- John retains full management control through voting units
- Montana has old style perpetuities period, all lives in being plus 21 years; say 100 years

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## Perpetuity

- John: *“Tom, this ranch has already been owned by our family for 143 years, since 1883. A 100 year perpetuity period is just not long enough. I am thinking more in terms of the Roman Empire!”*
- Good news, longer perpetuity period available next door, in South Dakota.

Faith Hill as Margaret Dutton &  
Tim McGraw as James Dutton in  
1883



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## How a Montana Ranch LLC Fits into a South Dakota Trust

1. Montana resident (John Dutton) forms a South Dakota dynasty trust – governed by South Dakota law, administered by a South Dakota trustee.
2. The trust is gifted membership interests in the Dutton Ranch LLC (Montana-formed)
  - The LLC remains a Montana entity.
  - The trust becomes a member
  - All ownership records reflect the South Dakota trust as member
3. The trust’s administration (distributions, recordkeeping, tax filings) is handled by the South Dakota trustee, keeping situs intact.
4. However, all the HEAVY lifting is done by the LLCs, and in particular by the Cattle Co.

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## How a Montana Ranch LLC Fits into a South Dakota Trust

- The result:
  - The LLC remains subject to Montana entity law, but
  - The trust itself is a South Dakota trust, benefiting from perpetual duration (longer than the Roman Empire!), asset protection, and no South Dakota state income tax on retained income.
  - Does Tom get a bonus? 😊

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## Federal Tax & Reporting Considerations

- The grantor remains responsible for income tax reporting if the trust is grantor-type (IRC Sections 671-679). **WHY IS THIS IMPORTANT?**
- The trust will have its own EIN if irrevocable.
- The LLC's income passes through to the trust (or grantor, if grantor-type)
- The trust may file Form 1041 and a South Dakota address (no state-level filing required for income tax)
- Gifts of LLC interests into the trust will require Form 709 (gift tax return)

### The South Dakota Trustee:

- Administrative Trustee (for situs), and
- Work with your family or investment committee in Montana for investment and distribution guidance.
- Both LLCs can pay large market rate salaries for compensation, if desired.

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## LLC Operating Agreement

### Key Provisions:

- Pro rata distributions to all members (voting and non-voting).
  - Just in case children want to make a QSST election after John's death to continue flow through of income and loss to children.
- Dispute resolution provisions including deadlocks.
  - This should be in addition to RIP taking somebody to the TRAIN STATION.
- Management provisions:
  - Supermajority vote required for involuntary removal of manager; dissolution of entity; and/or material business transactions.
- **Important Addendum to Agreement**
  - Letter of Intention from founding generation.



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## Step 4 – Voting Trust & Family Governance Structure

- Purpose: Maintain stable family control of Yellowstone Ranch, LLC while defining succession by family line.
- Structure Overview:
  - All voting LLC units transferred into Yellowstone Voting Trust Agreement (YVTA)
  - Three initial family lines: Beth, Jamie, and Kayce
  - Each line appoints its own voting trustee
  - Beth’s board seat carries two votes (Why? She is BETH!)
  - Upon deaths of Beth and Jamie (no descendants), Kayce’s son Tate inherits their lines and becomes sole voting trustee and can reestablish family voting lines for his children.

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## Voting Trust Succession & Control Flow

- Yellowstone Ranch, LLC → Voting Trust holds all voting units
- Voting Trust divided by family lines:
  - Beth Line – Trustee: Beth (2 board votes)
  - Jamie Line – Trustee: Jamie (1 board vote)
  - Kayce Line – Trustee: Kayce (1 board vote)
- LLC Board Composition (elected by voting trust).
- Long-term Outcome:
  - Unified control under Tate’s line
  - Perpetual funding via Yellowstone Ranch Operations Trust (YROT) (Who guesses how this happens?)
  - Conservation easement, LLC, and governance layers ensure Dutton legacy stability

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## Life Insurance Integration for Perpetual Ranch Liquidity

- Purpose: To ensure Yellowstone Ranch operations maintain liquidity in perpetuity.
- Key Features:
  - Policies owned by Yellowstone Ranch Operations Trust (YROT)
  - Proceeds provide tax-free liquidity to fund operations, property taxes, and conservation upkeep
  - Ensures long-term financial stability

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## Tool #1: Life Insurance

- Use a permanent policy (whole life) to provide tax free proceeds upon the insured's death. Variable and Universal life could also be used. (Check with your friendly life insurance expert!)
- Death benefit can be used to pay the estate taxes when due, but, if Knox Law is doing the planning, no estate tax will be due!

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## Tool #1a: ILIT Process

- John creates a trust with Beth as Trustee (who else).
- Beth as Trustee purchases a survivorship policy on John and Evelyn (pre 2019).
- John gifts money to the trust each year, which Beth then uses to pay the policy premium.
- Upon the last to die, the trust receives the death benefit tax free.

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## Dutton Family Life Insurance Portfolio

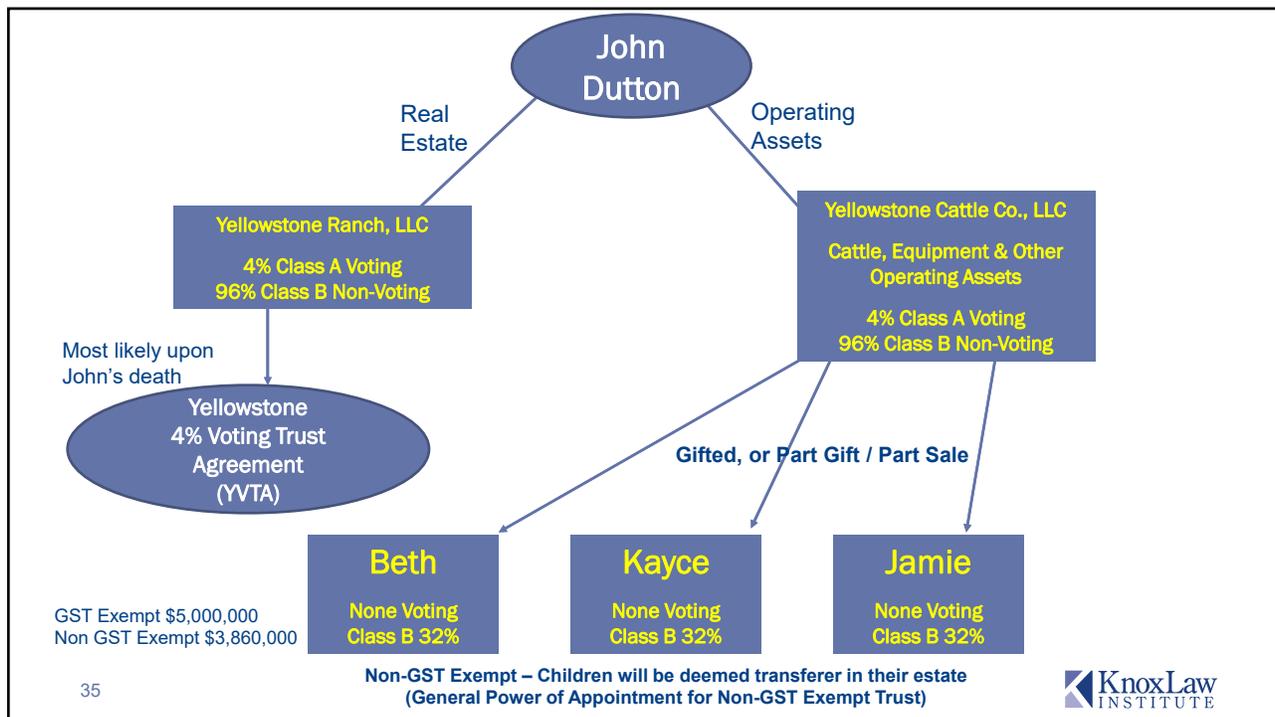
Insured	Policy Face Value	Owner/Beneficiary	Purpose
John Dutton	\$5,000,000	Yellowstone Ranch Operations Trust	Liquidity for conservation funding
Beth Dutton	\$2,000,000	Yellowstone Ranch Operations Trust	Transition liquidity / management support
Jamie Dutton	\$2,000,000	Yellowstone Ranch Operations Trust	Governance / legal continuity funding <sup>1</sup>
Kayce Dutton	\$2,000,000	Yellowstone Ranch Operations Trust	Livestock & operations continuity
<b>Total Coverage</b>	<b>\$11,000,000<sup>2</sup></b>	<b>Trust-held, tax-free proceeds</b>	<b>Perpetual Operational Liquidity</b>

1 – Service Jamie provides, before he goes to the Train Station!  
 2 – Add policy on Tate



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## Yellowstone Ranch Succession Plan – Executive Overview

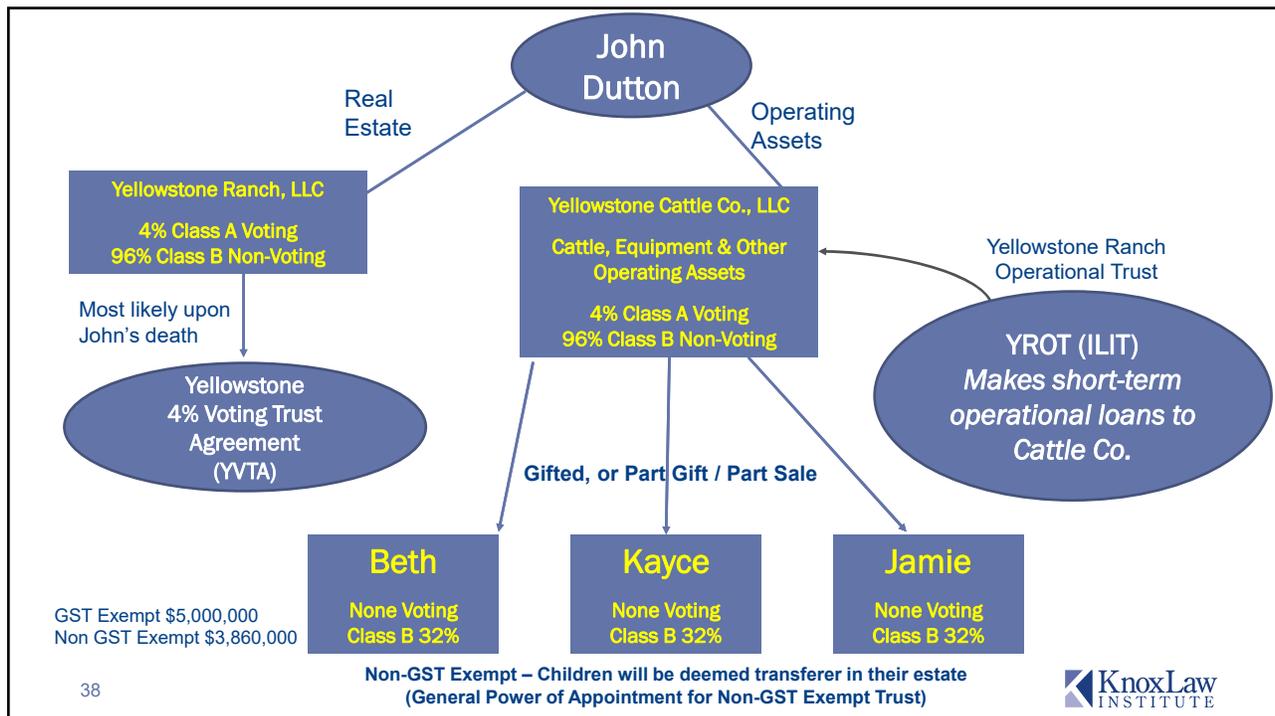
- Purpose: Create a self-sustaining, multi-generational structure ensuring family control, tax efficiency, and conservation continuity.
- Core Elements:
  - Yellowstone Ranch, LLC – Centralized management of assets
  - Conservation Easement – Permanent development restriction
  - Voting Trust (YVTA) – Defines family control and succession
  - Operations Trust (YROT) – Provides perpetual liquidity from life insurance proceeds
  - Dynasty Trusts – Hold non-voting interests for long-term wealth protection

## Strategic Recommendations

- Formalize entity and trust structures under written agreements (LLC, YVTA, YROT)
- Maintain Montana agricultural classification and easement compliance annually.
- Continue premium funding for \$11 million life insurance portfolio held by YROT.
- Hold annual Family Council and LLC Board meetings for governance transparency.
- Add professional ranch manager or co-trustee for next generation (Tate – think of the Family Private Enterprise Model).
- Allocate GST exemption to dynasty trusts to ensure long-term tax-free growth<sup>1</sup>.
- Consider a Dutton Family Conservation Foundation aligned with RMEF mission.

1 - Might use separate ILITs for children if additional GST exemption is needed.

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## Thank You!

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