

Thinking about Gift & Estate Tax Planning? Here's what you should know.

Many people are wondering how the tax code will be impacted and if there are estate planning actions they can take before the end of the year.

Exemptions may decrease. The current estate gift tax exemption is \$11.58 million, which is effective for five (5) years and will revert in 2026 to its sunset amount of \$5 million (indexed from 2011). With Joe Biden's proposed plan, there may be a push to change to the 2026 sunset sooner, maybe even by 2021. If this were to occur, possibilities include (i) decreasing the estate gift tax exemption from \$11.58 million to \$5 million (indexed) or less, (ii) increasing the estate tax rate above 40%, (iii) eliminating the step-up in basis for inherited assets, and (iv) increasing capital gains tax rates to 39.6%.

Some techniques work best in low interest rate environments and/or when asset values are low. Grantor Retained Annuity Trusts (GRATs) generally perform well in low interest environments. Intentionally Defective Grantor Trusts (IDGTs) perform well in an economic downturn, specifically when asset values are low. Intrafamily loans are another cost-effective alternative, especially in down economies, to provide funds to family members.

Values of some Assets have decreased. Due to the Pandemic, there is an opportunity for gift and estate tax planning – for business owners to take advantage of low valuations during this time to minimize gift and estate taxes. Lower values create a unique planning opportunity for business owners to transfer a greater portion of their business assets and reduce their taxable estate.

Asset valuations are crucial. One of the keys to many estate planning strategies is to obtain a supportable valuation of the assets involved in the strategy, especially when dealing with closely held businesses or a fractional interest in a business. During these times, Houlihan Capital can help with gift and estate valuations.

How Houlihan Capital Can Help

Houlihan Capital has extensive experience in providing objective, independent and defensible opinions of value that meet accounting and regulatory requirements. Houlihan Capital is SOC-compliant, a Financial Industry Regulatory Authority (FINRA) and SIPC member and committed to the highest levels of professional ethics and standards. Let us know how we can help.

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