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Gift, Estate, & Income Tax Valuation Insights Newsletter

Navigating Uncertainty: Estate Planning Amid IRS Changes and Tax Reforms

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Recent reports indicate the current administration's intent for major changes related to the staffing, structure, and operations of the Internal Revenue Service. Layoffs of as much as 50% of IRS personnel logically equate to a significant reduction in enforcement activity.

As a further complication for estate planning, sunset provisions of the 2017 TCJA loom at the end of the year. Legislation has been introduced in both the House¹ and Senate² to "permanently repeal" the federal estate and generation skipping taxes.

These events converge to result in an environment of significant uncertainty for federal estate tax planning.

Some taxpayers may conclude that they may be able to devote less attention to estate and gift tax reporting matters. Other taxpayers may think that they can skip planning for federal estate taxes under the guise of permanent repeal.

We believe that prudent federal estate and gift tax planning involves a lifetime horizon with adherence to best practices that yield optimal outcomes. Enforcement levels during one administration do not provide a precedent for the enforcement activities of a future administration.

Importantly, due to the lifetime structure of the estate and gift tax regime in the United States, gift tax transactions are subject to inquiry or examination at death.

With respect to estate tax "repeal," even if such legislation is enacted, the fact that both the House and Senate proposals do not repeal the gift tax strongly suggests that Congress wants the discretion to bring back the estate tax at a future date.

For estate planning that involves the transfers of material interests in privately held business interests, best practices include thoughtful planning, execution and reporting of such transfers that often provide the foundation for intergenerational wealth planning. Foremost in the taxpayer's arsenal is the Adequate Disclosure Regulations for Gifts. Adherence to the criteria in these regulations provides taxpayers with a proactive approach to start the three-year statute of limitations that commences upon filing of the gift tax return.

In conclusion, estate planning for the long-term is the best course of action.

Those individuals currently subject to estate tax exposure are well-advised to continue periodic planning activities and keep current planning architectures in place.

Given the systematic fiscal challenges facing the federal government, taxpayers who maintain a course of consistent and vigilant estate planning will be best positioned to achieve their planning objectives and successfully thwart future challenges once the pendulum of enforcement activity and tax policies inevitably swing in the opposite direction.

¹ H.R. 1301 – Death Tax Repeal Act, Sponsor Randy Feenstra [Rep.-R-IA-4] (Introduced 02/13/2025).

² S. _____ Death Tax Repeal Act of 2025 Sponsor: Thune, John [Sen.-R-SD] (Introduced 02/13/2025).



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- Travis W. Harms, CFA, CPA/ABV

CONFERENCE ATTENDANCE

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April 22 - 27, 2025 | Washington, DC

- Timothy K. Bronza, CPA, ASA

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- Allocation of Value, Determination of Professional Goodwill
- Charitable Contributions – Reg. §1.170A – 13(c)(2)
- Compensation in Kind – Reg. §1.61-2(d)(1)
- Compensation Planning – IRC §§83(b) and 409(A)
- Corporate Reorganizations
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- Divestitures
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- Qualified Stock Purchases – IRC §§351, 352 and 338
- Worthless Securities – IRC §165

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