

# VALUE MATTERS®

Gift, Estate, & Income Tax Valuation Insights Newsletter

## Evolving Need for Estate Planning Amid Legislative Shifts

The 2024 elections delivered a Republican sweep of the Presidency and Congress, setting the stage for potential tax policy changes. The likely extension of tax provisions from the *2017 Tax Cuts and Jobs Act*, which are currently set to expire on December 31, 2025, is central to the uncertainty. The potential ten year maximum extension would include maintaining the elevated estate and gift tax lifetime exclusion amount of \$10 million, indexed for inflation (\$13.99 million in 2025). However, legislative realities may lead to a shorter extension than ten years or even modifications to the exemption altogether.

The federal budget reconciliation process, which allows tax legislation to pass with a simple Senate majority, will play a key role in shaping these policies. Specifically, the potential \$4.6 trillion deficit impact over a decade for extending all 2017 tax cuts adds complexity to negotiations. The estate and gift tax provisions are projected to contribute \$189 billion to this total cost of the tax plan and remain a politically charged element of the debate.

Other tax changes being proposed include potential reductions to corporate tax rates and exemptions for specific income categories like overtime pay. However, these would require additional revenue offsets, such as limiting state and local tax (“SALT”) deductions, further complicating legislative negotiations.

For estate planning, the stakes are high. The elevated lifetime exclusion amount is one of the most significant opportunities for reducing future estate tax liabilities, allowing individuals to transfer substantial wealth that falls under the threshold tax-free. However, the political and fiscal landscape introduces critical timing considerations:

- **Estate and gift tax planning is a long-term endeavor:** Tax policy is not static; it is modified periodically due to changes in the executive branch of government, composition of legislative bodies and judicial rulings. Tax policy of today is not necessarily the tax policy of tomorrow. Conversely, current tax policy that is repealed may be again enacted in the future. The cornerstone of effective estate and gift tax planning may well be in executing a consistent long-term strategy of gifts that embraces the inherent strength of moving future asset appreciation to subsequent generations.

- **For those hesitant to make large gifts:** While some may prefer to wait for legislative clarity, it may make sense to begin preparing the gifting groundwork now. Structuring trusts and preparing for future decisions can ensure readiness if the exclusion extension is less favorable than anticipated.
- **For those comfortable making gifts:** High-net-worth individuals who are confident in making large transfers now stand to benefit significantly. Transferring wealth under the current exclusion ensures future appreciation is removed from taxable estates, maximizing potential tax savings.

The uncertainty surrounding tax policy and the potential impact on estate planning underscores the need to stay informed on estate planning topics. In our new tax piece, *Value Matters*®, we will cover relevant topics such as:

- Estate planning
- How to judge business appraisal firms
- The engagement process
- Valuation theory

## WHY MERCER CAPITAL?

With over 40 years of experience, Mercer Capital is uniquely suited to support estate planning efforts, especially for clients with privately held businesses. Mercer Capital's opinions are well-reasoned and thoroughly documented. Our internal review and quality control processes are designed to generate expedited results that meet best practices in process and analysis, particularly in situations where service and delivery needs are high. Mercer Capital also offers comprehensive services for complex entities and business models.

Here is what sets us apart:

- **Proven Track Record.** Mercer Capital professionals have prepared thousands of valuations that have been accepted as reported. The quality work product we prepare facilitates acceptance by the IRS at an initial reporting level. In the rare event of an examination, our quality work product provides legal counsel with the capital market evidence, cogent analysis and substantiation that is essential to successfully resolve such disputes.
- **IRS-Compliant Standards.** Given heightened IRS scrutiny in recent years, our team adheres to strict valuation methodologies and reporting guidelines, such as Revenue Ruling 59-60 and the Adequate Disclosure Regulations for Gifts. The dedication to adhere to authoritative guidance places clients in a position of strength well before for a potential audit, and importantly, greatly increases accepted as filed outcomes.
- **Specialized and Industry-Informed Experience.** We perform valuations for family-owned and closely held businesses in many industries. We publish a number of industry-specific blogs and newsletters for industries where we share our expertise and insight.
- **Collaborative & Client-Focused Service.** We work closely with business owners, attorneys, accountants, and other advisors, tailoring our approach to fit the unique facts and circumstances of each engagement. There is no "one size fits all" approach to valuation, and Mercer Capital takes the time to ensure a personalized, appropriate, and high quality work product.

- **Broad Range of Other Valuation Services.** In addition to valuation services for estate and gift tax reporting, we provide valuations for financial reporting, buy-sell agreements, shareholder disputes, litigation support and management consulting, ensuring continuity across other client needs.

## PREPARING FOR UNCERTAINTY

The 2024 election outcome highlights that estate planning is no longer a static process but one that requires vigilance, adaptability, and a long-term perspective. The next few years will be crucial for those looking to secure their legacies under a tax regime still in flux.

If you would like to discuss how we can assist you and your clients, we'd be happy to engage in a conversation. Thank you for considering Mercer Capital as a resource for your clients' estate planning needs.

– Authored by Harrison Holt

*Legislative Update Source: Steve Akers, Bessemer Trust: "Tax Legislative Impacts of Republican Sweep in 2024 Elections; What Will Happen to the Estate and Gift Tax Basic Exclusion Amount?" November 2024.*

**WE WILL BE ATTENDING  
HECKERLING 2025**

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**HECKERLING INSTITUTE**  
ON ESTATE PLANNING

Mercer Capital is attending the upcoming 59th Annual Heckerling Institute on Estate Planning, January 13-17, 2025 at the Orlando World Center Marriott. Are you? If so, feel free to reach out to us so we can get together at the event.

### CONFERENCE SPONSORSHIP

#### 12th Annual Florida Tax Institute

February 5 - 7, 2025 | JW Marriott Tampa Water Street

- Timothy K. Bronza, CPA, ASA
- Barbara Walters Price

### CONFERENCE SPONSORSHIP

#### ACTEC 2025 Annual Meeting

March 19 - 23, 2025 | La Quinta Resort & Club, Palm Springs, CA

- Timothy K. Bronza, CPA, ASA
- Matthew R. Crow, CFA, ASA
- Travis W. Harms, CFA, CPA/ABV

## Valuations are a critical element of successful tax planning strategies and objective third party valuation opinions are vital.

Business valuations prepared for federal tax transactions are at the core of Mercer Capital's valuation practice. Since 1982, we have been providing objective valuations for federal estate, gift, income tax, and corporate transactional matters. We are recognized experts in this challenging area of valuation practice.

Mercer Capital is one of the largest independent business valuation and transaction advisory firms in the nation, with a deep bench of seasoned professionals. We have provided thousands of valuation opinions for corporations of all sizes across virtually every industry vertical. With the size of our staff and the firm's technical and project management expertise, we can handle projects of any size, no matter how complex.

And we understand what the IRS considers important. From corporate income tax planning to transfer tax planning and administration, a federal tax valuation plays a central role in positioning your or your client's business for success. That is why we take great care to ensure our federal tax valuations are substantiated and well-documented, enabling you to implement effective planning strategies with confidence.

## Gift, Estate, and Income Tax Valuation Services

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### Estate and Gift Tax Transactions

- Estate Tax Administration and Reporting – IRC §2031
- Estate & Gift Tax Controversies – Valuation Consulting
- Gift Tax Planning & Reporting – IRC §2512
- Pre-Expatriation Planning & Reporting

### Income Tax Transactions

- 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
- Corporation to S Corporation Conversion – IRC §1374
- Divestitures
- Expatriation Tax Reporting – IRC §877A
- Income Tax Controversies – Valuation Consulting
- Net Operating Loss (NOL) Carryforwards – IRC §382
- Not-For-Profit – IRC §501(c)(3)
- Qualified Stock Purchases IRC §§351, 352 and 338
- Worthless Securities – IRC §165

## Contact Us

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