



How Dealers Can Prepare for the 2025 Estate & Gift Tax Exemption Sunset

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Presenters



Buddy Dearman
National Industry Leader,
Dealerships



Tara Thomas
Partner, Tax



Troy Farmer
Managing Director,
Wealth Strategy



Will Mustian
Director, Valuation

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Forvis Mazars Dealerships Practice

About Us

4,000+ Rooftops/Locations Served

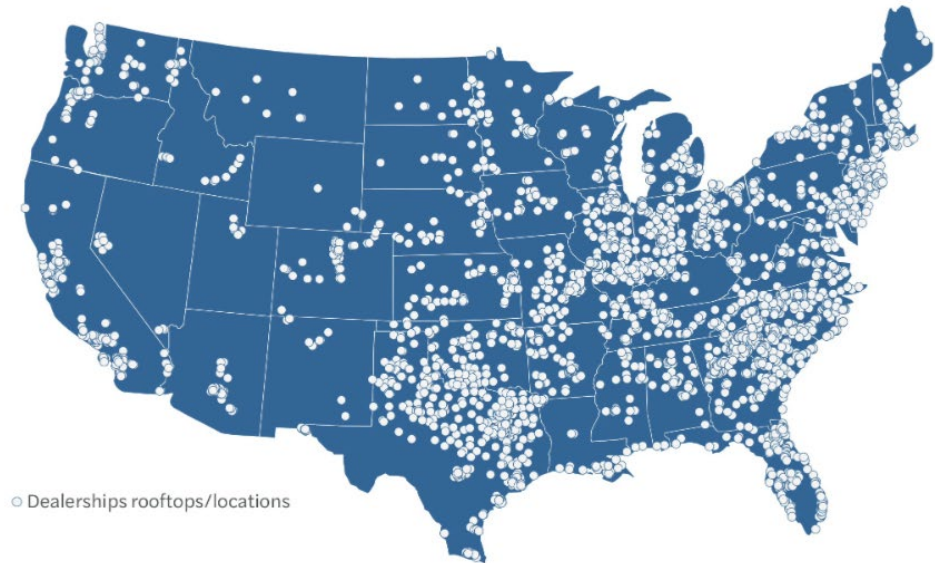
200+ Dedicated Dealerships Professionals

75+ Years Serving the Industry

We collaborate with key industry stakeholders, offering deep knowledge & insights. We provide a variety of services for dealerships nationwide, ranging from tax compliance & planning to assurance & consulting. Our team works with clients at every point in the dealership life cycle.

Industries of focus include:

- Auto
- Commercial Truck
- Machinery & Equipment
- Recreational



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Estate Tax

Overview

- The estate tax is a tax on property transferred upon death.
- The gift tax is a tax on property transferred during life.
- A taxpayer's "estate" is defined as anything they may own as well as any property, business, or trust they may have certain interest in at the date of death.
- The tax brackets for both the gift tax & the estate tax are progressive, meaning the tax rate gets higher as the estate gets larger; however, the top bracket is 40%.
- The gift & estate tax is "unified" in that they share the same lifetime exclusion amount, tax rates, & tax brackets.

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Estate & Gift Tax Fundamentals

Exceptions & Exclusions

- **Annual Exclusion:** \$18,000 to any person per year. Spouses can gift \$36,000. For an individual with a taxable estate, each \$18,000 transfer provides a \$7,200 estate tax savings. Gifts over the \$18,000 are subject to gift tax once the applicable exemption amount has been exhausted. Use It or Lose It.
- **The Unlimited Marital Deduction:** Individuals may make transfers to spouses. Transfers to spouses are not subject to estate & gift tax.
- **Gifts to Charity:** Any gift during life to a qualified charity/501(c)(3) is exempt from gift tax. Any amounts transferred to a charity at death are eligible for an estate tax deduction & thus are not included in the estate tax calculation upon a taxpayer's death.
- **Lifetime Gift Tax Exemption Amount:** Allows individuals to make up to \$13,610,000 in lifetime taxable gifts before any gift tax will be imposed. A married couple may give away \$27,220,000. The exemption is cumulative & does not renew annually. If it is not used during one's lifetime, the estate will take advantage of the remaining credit at death. Use It or Defer It.

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Estate Tax

Lifetime Gift & Estate Tax Exclusion Amounts

Year of Death	Gift & Estate Tax Exclusion
2011	\$5,000,000
2012	\$5,120,000
2013	\$5,250,000
2014	\$5,340,000
2015	\$5,430,000
2016	\$5,450,000
2017	\$5,490,000
2018	\$11,180,000
2019	\$11,400,000
2020	\$11,580,000
2021	\$11,700,000
2022	\$12,060,000
2023	\$12,920,000
2024	\$13,610,000

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Tax Cuts & Jobs Act (TCJA)

Overview

- In 2017, Congress passed the Tax Cuts & Jobs Act (TCJA) significantly changing the landscape of the federal estate & gift tax system.
- One of the major provisions of the TCJA was the increase of the lifetime gift & estate tax exemption amount from approximately \$5,490,000 to \$11,180,000.
- As a result, an individual could give away \$11,180,000 either during their life or at their death with no transfer tax consequences.
 - Approximately double what an individual could give the year prior.
 - A married couple could give away approximately \$22,360,000 with no transfer tax consequences.
- Since TCJA was passed, this amount has been annually adjusted for inflation.
- **In 2024, an individual can give away \$13,610,000 (\$27,220,000 per couple) with no transfer tax consequences.**

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Upcoming Tax Law Changes

Why Does It Matter?

- The TCJA includes a “sunset provision” with an expiration date of December 31, 2025.
- What this means is that on January 1, 2026, the available federal gift & estate tax exemption will revert to pre-2018 levels, adjusted for inflation.
- This is expected to be about half of today’s current exemption (approximately \$7,000,000 per person & \$14,000,000 for married couples).
- Though the reversion of the current gift & estate tax exemption is codified into law, Congress may make changes prior to 2026 should any proposed legislation have the support of the U.S. House, Senate, & President.
 - Over the last year, Congress has been relatively inactive as it relates to significant changes to the transfer tax landscape.

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Upcoming Tax Law Changes

Example

- A married couple can transfer \$27,220,000 (\$13,610,000 per individual) free of federal gift & estate taxes should they implement a gifting strategy prior to January 1, 2026.
- The same married couple could lose their ability to transfer approximately half of the above amounts if they don't act prior to the TCJA's expiration.
- In addition, it's exponentially beneficial to remove any subsequent growth on those assets from their estate.
- The below graph shows the difference in estate taxes for a family with \$50,000,000 of net worth as of today, & as of 2026.

	2024	2026
Total Estate	\$50,000,000.00	\$ 50,000,000.00
Exemption Today	\$ 27,220,000.00	\$ 13,610,000.00
Taxable Estate	\$ 22,780,000.00	\$ 36,390,000.00
Tax Owed	\$ 9,112,000.00	\$ 14,556,000.00
Estate Tax Opportunity Cost		\$5,444,000.00

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How We Can Help

- One of the main estate planning goals is to minimize taxes while maximizing the inheritance of the next generation.
- If you own asset values, including your dealership, near today's taxable estate threshold, Forvis Mazars Private Client can help you create a customized approach that will meet your goals & utilize your exemption prior to the sunset provisions.
- A well-crafted wealth transfer strategy is made up of three distinct, yet interrelated, parts:
 - A plan for the passage of your dealership & other assets.
 - The documents that will put that plan into effect during & after your life.
 - Implementation & execution of the plan.
- Our professionals can help you & your team develop a wealth transfer strategy that considers the various aspects of your financial situation.
- Solutions range from discussing advanced estate planning techniques all the way to identifying & recommending options for the transfer of your dealership. Each solution will be customized based on client goals.
- Forvis Mazars Private Client will use modeling & visual analysis to examine results & include alternative scenarios, if necessary.

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A Wealth Strategy Plan Must Incorporate Your Business Exit/Succession Plan With Your Estate Plan

- Integrating a business exit plan with an estate plan involves several key considerations:
- Succession Planning:
 - Determine your exit strategy: family member succession to ownership; ownership by key employees or possibly an ESOP; sale to a third party/private equity.
 - Management succession plan must also be considered – who will manage operations regardless of ownership?
 - Determine your live-on capital before deciding what ownership you can transfer to avoid estate & gift taxes.
- Tax Minimization: Strategies should be in place to minimize both income & estate taxes to maximize the value transferred to heirs.
- Trusts: Sophisticated use of trusts can help retain control of the dealership while removing it from the estate for tax purposes. Various types of trusts are in the planner's toolkit; choosing the type of trust will depend on your goals & desires for asset protection. Transfers to trusts give rise to other considerations.

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Dealership Taxes

Tax Considerations

- Changes in income allocations & reporting following gift
 - Ensure new owners are prepared for their Schedule K-1s, potential quarterly estimated payments
- Changes in cash flow from distributions with new ownership
 - If trusts are used, cash flow can be greatly impacted where distributions previously went to the owner/dealer & now belong to the trust
- Gifts outside of operating entity ownership
 - Real estate considerations
- Opportunities with reinsurance structuring to grow wealth outside of your estate

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Dealership Valuations

Valuation Considerations

Another critical component of developing your integrated plan is obtaining a valuation of your business:

- Qualified Appraisal
 - The valuation should be designed to meet the IRS Qualified Appraisal & adequate disclosure requirements for estate & gift tax reporting
- Industry Experience
 - The appraiser should have experience with dealership-specific valuation methodology & understand key value drivers currently applicable to the industry
- Valuation Discounts & Premiums
 - Examples include control, marketability, & voting
 - Applicable to other related entities (such as dealership real estate holding companies)
- Valuation Process
 - Document Requests, Management Interview, Draft Analysis & Report, Qualified Appraisal

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How We Can Help Your Dealership

A Wealth Strategy Plan Must Incorporate Your Business Exit/Succession Plan With Your Estate Plan

- Other considerations in the estate & succession plan:
 - Asset Liquidity: Closely held businesses often represent a significant portion of the family's wealth; planning should address the liquidity of these assets for estate purposes. We must avoid fire sales.
 - Life Insurance: Investigate/incorporate life insurance to provide immediate liquidity for estate taxes & other expenses upon the dealer's death.
 - Legal Documentation: Ensure all legal documents, including wills, trusts, & buy-sell agreements, are up to date & reflect the current exit strategy.
- ****Professional Guidance****: Consult with estate planning attorneys & financial advisors to ensure both business exit & estate plans are aligned & comprehensive.

These points highlight the importance of a well-integrated approach that considers both the continuation of the dealership & the financial security of the owner's heirs. It's a complex process that requires careful planning & professional advice.

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Next Steps & Ideal Timeline

Now Is the Time to Prepare

Action Item	Ideal Timing
Get Your Advisors in Place <ul style="list-style-type: none"> • CPA, Attorney, Wealth Planner, Financial Advisor 	Within the next few months
Advisors Develop Recommendations	Late Winter
Analysis & Considerations of Recommendations	Early Spring 2025
Approval Sought From OEM & Dealer Franchisors	Early Spring 2025
Plan Execution <ul style="list-style-type: none"> • All documents completed, legal & otherwise 	Spring & Summer 2025
Review Plan on a Regular Basis	

Contact

Forvis Mazars

Troy Farmer, J.D., CPWA®

Managing Director, Wealth Strategy & Planning

P: 317.383.3651

troy.farmer@us.forvismazars.com

William Mustian

Director, Valuations

P: 205.212.5308

william.mustian@us.forvismazars.com

Tara Thomas

Partner, Tax

P: 615.454.9777

tara.thomas@us.forvismazars.com

Buddy Dearman

National Industry Leader, Dealerships

P: 901.259.3619

buddy.dearman@us.forvismazars.com

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