

Selected Recent Developments and Current Trends in Estate Planning

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Trends in IRC Section 7520 Rate

January 2021	0.6%	March 2022	2.0%
February 2021	0.6%	April 2022	2.2%
March 2021	0.8%	May 2022	3.0%
April 2021	1.0%	June 2022	3.6%
May 2021	1.2%	January 2023	4.6%
January 2022	1.6%	February 2023	4.6%
February 2022	1.6%	March 2023	4.4%

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Trends in IRC Section 7520 Rate (continued)

April 2023	5.0%	May 2024	5.4%
May 2023	4.4%	June 2024	5.6%
June 2023	4.2%	July 2024	5.4%
January 2024	5.2%	August 2024	5.2%
February 2024	4.8%	September 2024	4.8%
March 2024	5.0%	October 2024	4.4%
April 2024	5.2%	November 2024	4.4%

Inflation Adjustments for 2025

- Basic exclusion amount -- \$13,990,000
- Gift tax annual exclusion -- \$19,000
- Gift tax annual exclusion for non-citizen spouse -- \$190,000
- Special use valuation reduction limit -- \$1,420,000
- IRC § 6166 2% interest amount -- \$1,900,000
- Maximum income tax rate threshold for estates and trusts -- \$15,650

Priority Guidance Plan (10/03/24)

- Final regulations addressing:
 - Basis consistency (IRC Sections 1014(f) and 6035)
 - Personal guarantees and present value concepts in determining deductible amounts (IRC Section 2053)
 - SECURE Act modifications (IRC Section 401(a)(9))
- Regulations addressing:
 - Duration of election to treat certain revocable trusts as part of an estate (IRC Section 645)

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Priority Guidance Plan (10/03/24) (continued)

- Regulations addressing (continued):
 - Whether anti-“clawback” rule should apply to gifts includible in gross estate (Treas. Reg. Section 20.2010-1(c))
 - Imposition of restrictions on estate assets during six-month alternate valuation period ((IRC Section 2032(a))
 - GST exemption allocation issues including how and when to obtain extension of time (IRC Section 2642(g)), definition of GST trust and ordering rules when allocation exceeds exemption available

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Connelly v. United States **(continued)**

- Michael's estate's Form 706 reflected value of Crown C shares as \$3 million – the redemption price
- Following examination of Michael's estate tax return, IRS issued Notice of Deficiency, asserting value of Michael's Crown C shares should be determined taking insurance proceeds used to redeem Michael's shares, but not stock purchase agreement, into account
- In the ensuing litigation, government and estate stipulated that the value of Crown C at Michael's death, not counting those insurance proceeds, was \$3.86 million

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Connelly v. United States **(continued)**

- Supreme Court, in unanimous opinion authored by Justice Thomas, held insurance proceeds used to redeem Michael's shares were includable in value of company for Michael's estate tax purposes
- Reasoning was that:
 - Fair market value redemption obligation has no impact on the value of any shareholders' equity interest; and so
 - Hypothetical buyer of Michael's shares would have paid \$5.3 million (\$6.86 million x 77.18%)

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