

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%

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)

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

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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