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In this Newsletter, we provide an important reminder about the deadline for compliance with new reporting requirements imposed on most closely held entities and a critical update on the expanded scope of these reporting requirements; a summary of a Supreme Court case impacting the estate-tax valuation of some closely held entities; and a helpful reminder about the gift and estate tax exemption amounts for 2024 (and beyond). We also share exciting news about the firm's Chambers recognition and introduce the newest members of our estate planning team.

Please don't hesitate to reach out to us with questions about these or other issues on your mind - we look forward to speaking with you.

Update to Corporate Transparency Act

The Corporate Transparency Act (“CTA”) reporting requirements have been in place for more than six (6) months. As of January 1, 2024, the CTA requires nearly all new corporations, limited liability companies, and statutory partnerships (“Entities”) to file Beneficial Ownership Information (“BOI”) reports with the Financial Crimes Enforcement Network of the U.S. Treasury (“FinCen”) within **ninety (90) days** of the Entity’s state filing.



The CTA’s impact is not limited to new Entities. All Entities in existence prior to January 1, 2024 must file BOI reports no later than **January 1, 2025**—even if the Entity is dissolved before January 2025. According to the Treasury Department’s [FAQ page](#), only Entities that “entirely completed the process of formally and irrevocably dissolving” before January 1, 2024 are exempt from CTA reporting requirements. Unless the Entity filed “dissolution paperwork,” received “written confirmation of dissolution,” stopped all business, liquidated itself, and closed all bank accounts before January 1, 2024, it is probably subject to CTA requirements and must file a BOI report by January 1, 2025. It is not unusual for clients to simply stop paying the annual filing fee in Florida, and then the Florida Department of State will eventually dissolve the entity.

NOTICE: Katz Baskies & Wolf does **not** file BOI Reports; the obligation to file BOI reports rests solely with you. There are meaningful penalties associated with failure to file a required BOI report on a timely basis. Any person violating the CTA requirements could be liable for civil penalties of up to \$500 for each day a violation continues and criminal penalties of up to two years imprisonment, up to \$10,000 in fines, or both.

We urge you to review the information available on the FinCen website (<https://www.fincen.gov/boi>) and our memorandum addressing CTA requirements (available [here](#)).

Supreme Court Issues Opinion on Valuation of Redemptions Funded with Life Insurance



On June 6, 2024, the Supreme Court issued an opinion on the estate-tax valuation of closely held businesses relying on life insurance to fund redemption agreements.

In [Connelly v. United States, U.S., No. 23-146 \(June 6, 2024\)](#), a shareholder of a closely held corporation passed away. Under a redemption agreement, the corporation was required to purchase the deceased

shareholder's stock. The corporation had purchased a life insurance policy to fund the redemption and used the proceeds to redeem the deceased shareholder's stock. In valuing the corporation for estate tax purposes, the estate took the position that the value of the life insurance proceeds should be excluded because the corporation was obligated to use the proceeds for the redemption. However, the Supreme Court rejected the estate's argument and held that the value of the life insurance proceeds must be included in valuing the corporation for estate tax purposes.

In structuring estate and business succession plans, owners of closely held businesses must be aware that the proceeds of a life insurance policy purchased by a company to fund a redemption obligation will likely be included in the corporation's value for estate tax purposes. This result could significantly increase the value of a company—and the owner's estate tax liability. However, as the Supreme Court observed in *Connelly*, there are planning opportunities available to avoid this result. If you have any questions about the impact of *Connelly* on your estate or business plan, please feel free to reach out.

Estate and Gift Tax Limits to Bear in Mind

In general, each taxpayer is entitled to make tax-free gifts up to a specific amount per person per year. This amount is the annual "gift tax exclusion." Additionally, each taxpayer has a specific amount of "lifetime gift/estate tax exemption" that shields lifetime gifts (and estate assets) from transfer taxes. If a taxpayer makes gifts in excess of the annual gift tax exclusion, the excess will use up the taxpayer's lifetime gift/estate tax exemption. Once the lifetime gift/estate tax exemption is fully used up, all gifts in excess of the annual gift tax exclusion (and all estate assets) will be subject to transfer taxes.



The IRS adjusts both the annual gift tax exclusion and the lifetime gift/estate tax exemption for inflation on an annual basis. For 2024, the lifetime estate and gift tax exemption is \$13,610,000. While that amount will increase by an inflation factor in 2025 (perhaps to approximately \$14,000,000), the law

provides that the exemption in 2026 decreases to \$5,000,000 (when adjusted for inflation, the amount will be approximately \$7,000,000)!!

We have been discussing the dramatic decrease in exemption amount with our clients for several years. Some clients have already maximized the use of their lifetime exemption. Others have decided that they are not in a position to use up their entire exemption by gifting into an irrevocable trust. Many, however, have decided to "wait and see." Please note that any planning for the use of one's exemption should begin well in advance of the end of 2025 -- such planning takes time to consider and document, and perhaps more importantly, we anticipate being swamped with last minute requests for assistance.

Chambers Recognition for Katz Baskies & Wolf and its Attorneys

We are pleased to announce that Katz Baskies & Wolf, as well as several of our partners, have been recognized by the 2024 Chambers High Net Worth Guide. Chambers researches more than 55 countries around the world, as well as rankings in every U.S. state. Chambers differentiates the best professional advisers for private wealth by identifying and ranking law firms and lawyers who understand the complex needs of high net worth individuals and families and provide specialist legal advice.

Katz Baskies & Wolf is one of only thirteen trust and estates boutique firms or private wealth practice departments in larger firms to be ranked in the top 3 Bands in Florida. Moreover, Jerome L. Wolf and Jeffrey Baskies are among the 33 high net worth lawyers ranked. Partner James George is one of only 10 lawyers ranked for Private Wealth Disputes, focused on litigation and other contentious issues involving high net worth individuals.

Welcoming New Attorneys

We are happy to welcome Angela Klemack Santos and Phillip J. Arencibia to Katz Baskies & Wolf.



Angela joins us as a partner focusing on sophisticated estate planning, tax, asset protection, and business succession planning. Admitted to practice in Florida, New York, and Connecticut, Angela implements creative solutions and planning techniques for U.S. and multinational high-net-worth individuals and families to minimize tax and preserve wealth for generations. Angela is a member of the Boca Raton Estate Planning Counsel and the Society of Trust and Estate Practitioners (STEP). She was a member of the 2016 inaugural class of the

American College of Trust and Estate Counsel (ACTEC)'s Florida Fellows Institute and a former Fellow of the Real Property Probate and Trust Law (RPPTL) Section of the Florida Bar.

Phillip joins us as an associate focusing on estate and transfer tax planning for high-net-worth individuals. Phillip's practice involves drafting wills, revocable trusts, and irrevocable trusts to implement efficient wealth transfer and tax minimization strategies. He is a member of the Tax Section and Real Property Probate and Trust Law (RPPTL) Section of the Florida Bar, and he is pursuing his LLM in Taxation from the University of Miami School of Law.



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