KBW KATZ BASKIES WOLF

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In this Newsletter, we summarize an extension available to some entities impacted by hurricanes in 2024, which provides additional time to file Tax Returns and Beneficial Ownership Information ("BOI") reports required under the Corporate Transparency Act ("CTA"). We also summarize recently announced adjustments increasing the annual gift tax exclusion and lifetime gift/estate tax exemption for 2025 and provide important end-of-year reminders regarding charitable contributions and gifts to irrevocable trusts.

Please feel free to reach out with any questions about these or other issues on your mind – we look forward to speaking with you!

IRS and CTA Deadlines Extended for Some Entities Impacted by Hurricanes

In the wake of multiple hurricanes impacting Florida in 2024, the IRS extended the due date for Florida taxpayers to file various federal tax returns until May 1, 2025. Consistent with the IRS announcement, the Financial Crimes Enforcement Network of the U.S. Treasury ("FinCen") has extended the deadline to file BOI reports for certain entities affected by hurricane Beryl, Debby, Francine, Helene or Milton. The relief provided in connection with hurricane Milton will affect the reporting requirements of many entities located in Palm Beach County, Broward County and Miami-Dade County.

As of January 1, 2024, the CTA requires nearly all new corporations, limited liability companies, and statutory partnerships ("Entities") to file BIO reports with FinCen within ***ninety (90) days*** of the Entity's state filing, and 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). However, if (i) an Entity's principal place of business is in an area designated by FEMA as qualifying for individual or public assistance and designated by the IRS as eligible for tax filing relief as a result of hurricane Beryl, Debby, Francine, Helen or Milton and (ii) the Entity's BOI filing deadline falls within one of the specific periods listed below, then the Entity's BOI filing deadline will be automatically extended by six months.

- Hurricane Beryl: July 4, 2024 through October 2, 2024.
- Hurricane Debby: July 31, 2024 through October 29, 2024.
- Hurricane Francine: September 8, 2024 through December 7, 2024.
- Hurricane Helene: September 22, 2024 through December 21, 2024.
- Hurricane Milton: October 4, 2024 through January 2, 2025.

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 and our memorandum addressing CTA requirements. This video may help.

IRS Announces Inflation Adjustment to Estate and Gift Tax Exemptions for 2025

Each taxpayer is entitled to make tax-free gifts up to the annual "gift tax exclusion" amount per person per year, and 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 (currently the estate and gift tax rate is 40%).

Both the annual gift tax exclusion and the lifetime gift/estate tax exemption are adjusted for inflation on an annual basis. For 2025, the annual gift tax exclusion will increase from $18,000 to $19,000, and the lifetime gift/estate tax exemption will increase from $13.61 Million to $13.99 Million.

Please keep in mind that under current law the lifetime gift/estate tax exemption is set to decrease on January 1, 2026 to $5 Million adjusted for inflation (approximately $7 Million). As 2026 approaches, anyone considering whether to use their exemption before the dramatic decrease goes into effect should evaluate their options as soon as possible. Of course, future tax law changes may affect whether and how the foregoing may be implemented. Any planning for the use of one's exemption should begin well in advance of the end of 2025.

End-of-Year Charitable Gifting

The end of the year brings the deadline for making charitable gifts that are deductible in 2024. For those who are ready to designate certain assets for charitable gifting but are not yet ready to decide when and how those gifts should be distributed, a donor-advised fund ("DAF") may offer a helpful solution.

A DAF holds assets that will eventually be distributed to charitable organizations, but it does not distribute those assets until directed by the donor (referred to as the "advisor"). Contributions to a DAF qualify for a charitable deduction when made. Thus, a donor could transfer assets to a DAF (and obtain a charitable deduction) in 2024 and determine when and how the assets should be distributed at a later date.

Contributions to a DAF can be particularly beneficial for those with highly appreciated assets held for more than one year. A sale of highly appreciated assets typically results in a significant tax on gain. However, if the assets are transferred to a DAF, the transfer should not be subject to tax on the gain, and the taxpayer may be eligible for a charitable deduction equal to the assets' fair market value. Those with highly appreciated assets who are considering charitable contributions in 2024 should explore this option as soon as possible.

A Reminder to Send "Crummey" Notices

Those planning to apply their annual gift-tax exclusion to gifts made to a trust in 2024 must keep certain notice requirements in mind. Generally, gifts to a trust may only qualify for the annual gift-tax exclusion if specific beneficiaries have a right to withdraw a portion of the gifted assets. To confirm the beneficiaries were given such rights to withdraw, many trusts require the Trustee to issue timely notices of the rights to withdraw (commonly referred to as "Crummey notices" – named after a famous tax case). Because the IRS often asks for copies of Crummey notices during gift and estate tax audits, it is a good practice to issue the notices—and keep a file copy of them—even if the trust does not require Crummey notices. If a Trustee fails to provide the beneficiaries with Crummey notices in a timely manner, the IRS may argue the donor's annual gift-tax exclusion did not apply to the gift.

Happy Thanksgiving

Wishing everyone a very happy and peaceful Thanksgiving Holiday. We have much to be thankful for, and our friends and clients rank high on that list. We also recognize that there are many in need, and we hope that this holiday season you will join us in considering how to spread some joy to those that are less fortunate.