

Are You Prepared for the Great Sunset? The Dawn of a Post-TCJA World is Near

One of the most important decisions a business owner faces is when and how to step out of the business. Many times, business owners have identified their path to business leadership transfer but not always business ownership transfer. Whether you are currently managing a business or your family capital, the current tax law – set to expire at the end of 2025 – lends itself to a unique opportunity to transfer business ownership and/or wealth more tax efficiently. Here are a few key things to consider when evaluating planning strategies:

- **Lifetime gift exemption**

- Current tax law allows for each individual to transfer \$12.9 million to their heirs estate tax free. When the Tax Cuts and Jobs Act of 2017 (TCJA) expires at the end of 2025, the lifetime gift exemption will be reduced by half. Many families with taxable estates should consider utilizing their full exemption prior to the sunset of the current tax code.

- **Planning for flexibility and control**

- Often times, advanced planning doesn't get done because families are concerned about losing flexibility and control. By gifting non-voting interests in companies or limited partnership units in family limited partnerships, families can maintain as much flexibility as possible.

- **Transferring economic value**

- Another impediment to planning is that many business owners fear gifting too much too soon and running out of money. By utilizing a combination of gifting and sales to family trusts, many of these concerns can be alleviated.

- **Use of the generation-skipping transfer (GST) tax exemption**

- The current tax code allows for an equal amount in GST tax exemption as the lifetime gift exemption. Families should consider utilizing these two exemptions in tandem.

It's important to note that Congress could pass new legislation that affects planning opportunities prior to the sunset in 2026. However, a wait and see approach may not be prudent and could put you at risk of running out of time to implement proper planning strategies. Preparing now and working with your team of advisors puts you on a path to preserve and protect what your family has built and adapt to whatever changes may be on the horizon, even if it's a sunset.

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