



Steimle Birschbach, LLC  
Business. Trusts & Estates. Real Estate.

## **2016 ESTATE PLANNING TAX UPDATE<sup>1</sup>**

By: Steimle Birschbach, LLC

On August 4, 2016, the U.S. Treasury Department issued proposed regulations under Internal Revenue Code Section 2704 that, when finalized, may substantially increase wealth transfer taxes by blocking a common estate planning strategy.

Historically, persons could reduce the value of their taxable estates<sup>2</sup> by placing assets in partnerships, LLCs or closely held corporations and claiming lack of marketability and/or lack of control discounts. These discounts could reduce the value of such ownership interests by 25%-45%. Thus, for example, placing \$10 million worth of assets inside a closely-held entity might reduce the value of the estate by \$2.5 million to \$4.5 million and, given the current 40% estate tax rate, reduce the estate tax payable by \$1 million to \$1.8 million. The proposed regulations reduce and/or eliminate such discounts.

Fortunately, we have a short window of opportunity to take action before the Section 2704 regulations go into effect. The Treasury Department, for procedural reasons, cannot finalize the regulations until December 2016 at the earliest. In the interim, persons can make gifts or sales to their family taking full advantage of the current law, which allows valuation adjustments.

If you would like to discuss the impact of these regulations on your clients' or your specific situation (i.e., primarily clients with federal estate taxable estates), please contact our office as soon as possible to schedule a time to meet with Attorney Michelle Birschbach to not only determine the impact of the 2704 regulations on your estate, but also to chart a course forward.

Realistically, because of the volume of activity our office anticipates over the next several months, we would likely need that meeting to occur in September but no later than October 14, 2016, for our office to have enough time to complete necessary work by December 2016.

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<sup>1</sup>This article is provided for informational purposes only and by its very nature is general. This information is not intended as legal advice.

<sup>2</sup> Current 2016 federal estate tax applies to individuals with \$5.45 million or more in taxable assets or married couples (with properly planning and utilization) \$10.9 million in taxable assets.