

NOW IS THE TIME FOR ACTION!

MARCH 2024

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To our Clients and Friends,

We hope that your 2024 is off to a good start! As we look toward this year, we continue to be thankful to serve as an experienced and reliable resource to you to accomplish your estate and tax planning goals and to serve as a guide and advocate through contested probate and trust administration matters and guardianships. We recognize the partnership between our amazing legal team and you, our clients and friends, is the key to all of our success, and we appreciate your support and confidence.

Speaking of our outstanding team, please join us in recognizing members of The Blum Firm team for accolades received in 2023.

- **Marvin Blum** was included in *Fort Worth, Inc.'s* magazine 2023 list for 400 Most Influential People in Fort Worth.
- **Jeff Hamilton** was selected in *D Magazine* as a 2023 Best Lawyer in Dallas.
- Six of our attorneys were selected to the 2023 Texas Super Lawyers list. **Marvin Blum, Dyann McCully, John Hunter, and Jennifer Sibley** were recognized in Estate Planning & Probate Law, while **David Bakutis** was recognized in Estate & Trust Litigation. **Len Woodard** was recognized in Business & Corporate Law.
- **Kandice Damiano** and **Beth Hampton** were included in the 2023 Texas Super Lawyers Rising Stars list in Estate Planning & Probate law.
- *360 West Magazine* recognized **Marvin Blum** as a Top Attorney in 2023 in the Wills, Trusts, Estates and Probate Category.
- Nine of our attorneys were named 2023 Top Attorneys by *Fort Worth Magazine*: **Marvin Blum, John Hunter, Amanda Holliday, Dyann McCully, David Bakutis, Julie Plemons, Kandice Damiano, Beth Hampton, and Len Woodard.**
- Three of our attorneys were selected in *U.S. News – Best Lawyers in America*: **Marvin Blum** and **David Bakutis** in Trusts & Estates, and **Keith Morris** in Litigation – Trusts & Estate.
- **Austin Light** was selected for inclusion in *Best Lawyers: Ones to Watch in America* in Corporate Governance & Compliance Law and Mergers & Acquisitions Law.
- **The Blum Firm, P.C.** was included in the 2024 Edition of *U.S. News – Best Lawyers* “Best” ranking for the Dallas/Fort Worth area in Trusts & Estates and in Litigation – Trusts & Estates.

We've also had the pleasure of welcoming multiple attorneys to our team in 2023. **Shawn Williamson** joined our litigation team as a Senior Associate in Houston, bringing with him varied experience relating to the administration of estates, trusts, and guardianships. **Lynn Kelly** joined our litigation team as a Partner in Fort Worth, after spending over six years on the bench as Associate Judge of Tarrant County Probate Court 2. **Ryan Vayner** joined the Dallas office, **Adriana Lopez** and **Anna Rose St. Martin** joined the Fort Worth office, and **Parisa Azalli** joined the Austin office, all as Associates focusing on estate planning. We are excited to have this excellent group of individuals at the firm.

Read on to see the many ways in which our experienced team can assist you in your estate and tax planning and litigation needs. We are on standby, and we look forward to discussing any of these ideas further with you. We hope you have a happy and healthy 2024!

The Blum Firm



WHAT UNCLE SAM NEEDS FROM YOU: CORPORATE TRANSPARENCY ACT (CTA)

In an effort to combat financial crimes, Uncle Sam wants to know more about your business ownership beginning in 2024! Effective January 1, 2024, the Corporate Transparency Act (CTA) required certain entities created or registered in the United States (e.g., TX LLCs, LPs, Corporations, etc.) to disclose personal information about their beneficial owners, senior officers, and other control persons. The required disclosure, known as the Business Ownership Information Report (BOI Report), will need to be made through the Financial Crimes and Enforcement Network's newly created BOI E-Filing portal. **Failing to timely file the BOI Report could lead to civil penalties (\$500 per day, up to \$10,000) and criminal penalties (up to 2 years of imprisonment).** The CTA provides for 23 types of entities exempt from filing the BOI Report. Examples of entities exempt from filing a BOI Report under the CTA include certain large operating businesses, tax exempt entities, inactive entities, and certain subsidiary entities under a controlled group. If your business is not one of the 23 entities exempt from filing a BOI Report, collect all the information needed to file your initial BOI Report and keep the below due dates in mind:

1. If your entity was created on or before December 31, 2023: Your initial BOI Report will be due by January 1, 2025;
2. If your entity was created in 2024: Your initial BOI Report will be due within 90 calendar days of creation or registration; and
3. If your entity is created on or after January 1, 2025: Your initial BOI Report will be due within 30 calendar days of creation or registration.

Our Firm would be happy to work with you to determine your business' exemption status under the CTA and assistance with reviewing and filing of the BOI Report.

SAVE INCOME TAXES WITH THESE IDEAS!

- **Roth IRA:** Roth IRAs are some of the best tax-saving investment vehicles around. Those who own Roths will not pay income tax on income earned from assets held in the Roth. The problem is that there are limitations on how much one can contribute to a Roth. What if there was a way to contribute assets directly to a Roth without recognizing all of that income, while taking advantage of the favorable tax treatment of the Roth? For certain assets, there is, and we can tell you how.
- **Section 1202 Stock:** How would you like to sell your interest in a closely-held company and not pay any tax on the gain? You may be able to accomplish this, if your interest is in the form of Section 1202 stock. If you qualify, the exclusion of tax can be the greater of ten times the basis in the stock, or \$10 million. Talk to us about how you may qualify or how an existing company may be restructured to make your interest qualify as Section 1202 stock.
- **Private Placement Life Insurance:** Growth and income derived from assets held in a life insurance policy will be free from tax. Can you invest significant funds in an insurance policy in order to maximize tax-free growth? You may be able to using Private Placement Life Insurance (PPLI). Benefits of investing in PPLI include: no tax on earnings on policy assets during life; no tax on earnings paid out at death; no tax on earnings paid out after death; and no tax on amounts borrowed from the policy and spent during life.
- **Mixing Bowl with PPLI:** Can you use an appreciated asset to purchase PPLI and not pay capital gains tax on the sale of the asset? With proper planning, this can be done.
- **Installment Sales:** What about selling an asset with a significant built-in gain? Can you save on tax? No, but you can defer it—potentially for up to 25 years. You can pay only interest for up to 25 years with a balloon payment on the 25th year. In the interim, you can make that deferred tax work for you by investing it. We can show you how this will work.
- **Upstream Planning:** For property held at death, those receiving the property as inheritance will receive a step-up in basis to the fair market value of the property as of the date of death. The problem with this tax benefit is that you have to die to take advantage of it. For those with high-value, low-basis assets, they may benefit from moving those assets “upstream” to an older generation to benefit from this tax savings during their lifetime.
- **Qualified Conservation Easements:** What about claiming a charitable deduction without giving anything away? Do you own open space, a habitat, or an historic building? You can keep it but grant a conservation restriction on that property to a charity or the government, to enjoy the benefit of a charitable deduction. We can tell you how.

GIFT PLANNING: USE IT OR LOSE IT BEFORE 2026

2024 brings an inflation adjustment to the lifetime estate and gift tax exemption for a new total of \$13,610,000 per person. But time is running out. On January 1, 2026, that exemption will revert to around \$7 million per person unless Congress steps in to change it. If you have not already taken advantage of the current limited-time exemption increase, **act now or \$7 million (\$14 million for married couples) will be subject to 40% estate tax rates that could have been avoided.** Do not wait until the final weeks of 2025. Estate planners predict that getting late 2025 appointments may prove impossible as individuals finally realize what is at stake.

For those early birds who have already locked in the increased exemption from the 2017 Trump tax cuts, now is the time to top-off your exemption planning by determining what additional gifts can be made free of estate tax under current law. For example, if you maxed-out your exemption gifts in 2020 with \$11.5 million in transfers, you now have over \$2 million more to gift (\$4 million for married couples).

The Blum Firm utilizes several “squeeze and freeze” techniques (DGTs, SLATs, and GRATs) to lock in the current exemption level. Clients often choose to make lifetime gifts of assets expected to increase in value to remove that future appreciation from their taxable estate.

This newsletter contains generalizations and simplifications. Prior to implementing any estate plan, you should consult with competent tax and legal counsel to assess your specific circumstances and determine whether any particular technique discussed in this communication would be appropriate for you and could be implemented in a manner designed to achieve the desired favorable outcome. This newsletter including any attachments is not intended to be, and should not be construed as, U.S. federal tax advice for purposes of Circular 230 and may not be used for the purpose of avoiding penalties under the Internal Revenue Code. Additionally, this newsletter including any attachments is for education purposes and is not intended to be used for, and should not be used for, the purpose of promoting, marketing or recommending to another party any transaction or matter addressed herein.

PLANNING FOR THE UNPLANNED—ASSET PROTECTION PLANNING

You think you have done it all – created a Will; updated your power of attorneys; and even checked the beneficiary designations on all of your bank accounts, retirement plans, and life insurance. However, have you protected your life’s savings from events you did not foresee? Asset protection planning is an essential component of a well-rounded estate plan. Using various asset protection legal strategies not only provides a method to consolidate assets as a bigger component of an advanced estate plan, but it also provides a defensive structure against unforeseen creditors and lawsuits. **Various asset protection planning strategies incorporate the use of marital property agreements, limited liability companies, limited partnerships, and/or trusts.**

Marital Property Agreements can be particularly effective for spouses that have varying levels of liability exposure. For instance, assume one spouse is a doctor with a high probability of liability exposure and the other spouse has a very low probability of liability exposure. The spouse who is a doctor can either retitle assets or assign interests in an asset protection vehicle to the spouse with the lower liability exposure. If a judgment is issued against the doctor spouse, the potential creditors will not be able to seize any of the assets that are the separate property of their spouse with the lower liability exposure.

Asset protection planning can also provide your family with strong settlement tools to help prevent the seizure of your assets in the event of a judgment. For example, assume you set up a partnership, funded it with investment assets, and managed it properly. In the event you were sued and a judgment were entered against you, the potential creditor could be limited to a charging order or would become an assignee of the limited partnership interest. The creditor would not be able to obtain any of the underlying assets of the partnership. This arrangement greatly strengthens your bargaining position against creditors and encourages creditors to settle their lawsuits before ever going to court.

In addition, certain types of trusts can provide greater asset protection than an entity. When properly created and managed, the permissible beneficiary of the trust would still have access to the funds in the trust account, but potential creditors would not be able to reach the trust’s assets. If done with sufficient time, an asset protection trust can also be used to protect assets before entering a marriage without the use of a prenuptial agreement. Most importantly, with the right techniques, asset protection planning can protect the assets that you have worked so hard to accumulate for you and your family and give you some peace of mind that you are protected.

NAVIGATING THE UNCHARTED WATERS OF TEXAS PROBATE LITIGATION: INSIGHTS BEYOND THE SURFACE

When it comes to probate litigation in Texas, many clients find themselves in unfamiliar territory, often unaware of the subtleties and complexities that define this area of law. As legal professionals, we understand that knowledge is key in navigating these often choppy waters. One of the lesser-known aspects of Texas probate litigation is its decentralized nature. Unlike many other states, Texas doesn’t have a unified probate court system. Instead, probate matters can be heard in different types of courts, depending on the county. This variability can significantly impact the litigation process, from the filing of a case to its resolution. Many are also surprised to learn about the unique aspects of Texas law regarding wills and estate planning. For instance, Texas recognizes handwritten, or “holographic,” wills, which can be a source of disputes if they are not properly drafted. Additionally, while most people are aware of the importance of having a will, few know that in Texas, certain assets can pass to heirs without going through probate, simplifying the process for some estates.

Another commonly overlooked aspect is the role of executors and administrators in probate cases. In Texas, the duties and powers of these individuals are extensive and can lead to conflicts if not understood and managed properly. Their actions are often a point of contention in litigation, especially when family dynamics are strained.

The concept of “independent administration” in Texas probate is also a key point that many are unaware of. This process, which allows for less court supervision over the administration of an estate, can streamline the probate process significantly. However, it requires a clear understanding of the responsibilities involved.

Moreover, people are often not aware of the strict timelines and procedural nuances in Texas probate litigation. Missing a deadline or failing to adhere to procedural requirements can have significant consequences on the outcome of a case. Lastly, the emotional and familial complexities that often accompany probate cases are frequently underestimated. In our experience, disputes over estates are rarely just about the assets; they often involve deeply rooted family dynamics and long-standing issues that need to be delicately handled.

As attorneys, we endeavor to guide our clients through the multifaceted landscape of Texas probate litigation with expertise and empathy, ensuring they are well-informed at every step. Understanding these lesser-known aspects is crucial in successfully navigating the complexities of probate litigation in Texas. If you have any questions or have a litigation matter that you would like us to consult on, please call our litigation team.

UPDATING YOUR TAX PLAN FOR CHANGING SITUATIONS

As circumstances change, the need to update your tax planning documents may arise. Our Firm has several tools available to help meet your new circumstances and changing needs. For example, you may be able to exercise **a power of substitution** over assets held in an irrevocable trust. Additionally, the trustee of a **more favorable trust (such as a 678 Trust) may be able to purchase assets from other existing trusts** (such as a Spousal Lifetime Access Trust). Let us know if you would like us to review your structure to determine what updates are advisable.

NUMBERS TO KNOW IN 2024

Annual Gift Tax Exclusion Amount	Individual \$18,000*	Married Couple \$36,000*
Combined Lifetime Federal Estate Tax and Generation-Skipping Transfer Tax Exemption Amount	Individual \$13,610,000	Married Couple \$27,220,000
*Plus unlimited amounts for education or medical expenses, paid directly to the service provider		

The comments compiled for this newsletter are general in nature and are not tailored to any particular situation. As in the case with any estate, tax or financial planning recommendation, the planning tips suggested in this summary should not be implemented without carefully considering the total economic impact and obtaining the advice of counsel. The advice of an attorney, accountant, or other financial planning professional will provide valuable aid in analyzing the suitability of the particular estate, tax, or financial planning tip for you. By providing this information, The Blum Firm, P.C. does not assume any obligation to provide notification of future changes in laws. Please contact us if the information we have provided affects you and you would like to discuss. The content of this letter was prepared by Marvin E. Blum.

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DOES OUR PLANNING MAKE A DIFFERENCE? HERE IS ONE OF OUR SUCCESS STORIES

We have had multiple opportunities to implement the techniques discussed in this newsletter and others with significant success. One story we'd like to share involves a family with substantial illiquid assets.

The patriarch of the family had been deceased for a few years when we began working with the family, and the matriarch (we'll call her Mrs. Smith) was in poor health. If no action was taken, the family would owe hundreds of millions of dollars of estate tax upon Mrs. Smith's death.

After considering the nature of the family's assets and Mrs. Smith's health prognosis, we guided the family through a series of sales to trusts benefiting Mrs. Smith's descendants, including a **sale to a grantor trust in exchange for a promissory note**, a **sale to a grantor trust in exchange for a private annuity** (that would expire at Mrs. Smith's death), and a **charitable lead trust**.

Unfortunately, Mrs. Smith died about two years later, but although Mrs. Smith's estate was audited by the IRS after her death, the estate planning she engaged in was ultimately upheld, and the **family is estimated to have saved almost \$1 billion in estate tax**.

For the latest in our Family Legacy Planning series, check it out at:
<https://www.theblumfirm.com/blums-blog>