

Legal Connections



LEGAL EXPERTISE FOR THE BUSINESS COMMUNITY

OCTOBER 28 - NOVEMBER 3, 2022

Remember to exercise your right to vote. To find detailed information about the Franklin County Judicial Candidates, visit www.JudgeTheCandidates.org

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ESTATE AND GIFT TAX EXCLUSIONS WILL INCREASE NEXT YEAR

As the end of the year creeps upon us, experts have underestimated the anticipated magnitude of inflation adjustments to the estate and gift tax exclusion amounts for 2023-24. From a tax-planning perspective, high-net-worth individuals welcome the news, particularly those who have already made significant gifts and can now make additional substantial gifts without incurring gift tax.



ALAN S. ACKER
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Fortunately, everyone has a "basic exclusion amount" that is exempt from the reach of the gift and estate tax, and this exclusion amount is adjusted annually for inflation. What this means is that if your total taxable gifts made during your lifetime are less than this basic exclusion amount, you will not pay any gift tax. Similarly, if the sum of your estate and all your taxable gifts are less than this basic exclusion amount, you will not pay any estate tax. This basic exclusion amount is adjusted every year for inflation.

Basic Exclusion Amounts and Inflation
Currently, in 2022, the basic exclusion amount is \$12.06 million. Thus, a single individual would not pay any gift or estate tax if the sum of such individual's taxable gifts made their during lifetime and such individual's estate does not exceed \$12.06 million. For a married couple, this number would double to \$24.12 million.

The expected inflation adjustment for the basic exclusion amount for 2023 is \$860,000. Thus, next year the basic exclusion amount for every person is expected to increase to \$12.92 million, and future inflation adjustments could push the basic exclusion amount to \$14.00 million or more by 2025.

The 2017 Tax Cuts and Jobs Act doubled the basic exclusion amount for 2016 – 2025. Thus, come 2026, the basic exclusion amount will return to what it would have been if the Tax Cuts and Jobs Act had not been enacted – probably somewhere between \$7 and \$8 million. While this amount likely will eliminate any potential gift and estate tax liability for more than 99.7% of the country, if you are one of the fortunate few with an estate greater than the exemption amount, don't hesitate to contact your estate planning attorney. Our team can help you minimize your affairs and possibly eliminate gift and estate taxes.

About Alan S. Acker

Alan Acker joined Carlile Patchen & Murphy LLP in August 2011. He practices Family Wealth & Estate Planning, emphasizing estate and gift taxation, income taxation of trusts and estates, charitable giving, and probate law. Alan brings a great deal of experience to the team of estate planning attorneys at CPM. He is a former Franklin County Ohio Probate Court Judge. Alan has practiced law in Norfolk, Virginia, Chicago, Illinois, and Columbus, with a primary focus on estate planning matters. Alan is the creator of the E&E Trust and Will Drafting System, a web-based system to assist Ohio attorneys in drafting trusts, wills, and financial powers of attorney.

How do Federal Gift and Estate Taxes Work?

The federal gift and estate tax work together to potentially tax all gratuitous wealth transfers from one person to another. All gifts made during one's lifetime are subject to gift tax laws, and one's estate is subject to estate tax laws at death. All taxable gifts made during one's lifetime are added to the taxable estate in determining one's estate tax liability.

EDUCATION & EVENTS

■ Friday, November 4 • 12:30 – 4:00 p.m.
Legal Practice Workshop: Attracting Clients
3.0 CLE Hours

■ Thursday, November 10 • 1:30 p.m. – 4:45 p.m.
Criminal Law Series: The Consequences of Criminal Convictions
3.0 CLE Hours

All classes listed are offered by the Columbus Bar Association through Zoom. To register, call 614-221-4112 or enroll online at www.cbalaw.org.

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LETTERS OF INTENT – THE FIRST BUILDING BLOCK

The M&A (mergers and acquisitions) market is hot right now, particularly because there a lot of companies out there with a lot of money, looking for deals. If you are a buyer or a seller, there are a number of factors that need to be considered before making an offer to buy or sell.

The Letter of Intent is a simple document that outlines the principal terms of the transaction. A Letter of Intent, or more commonly



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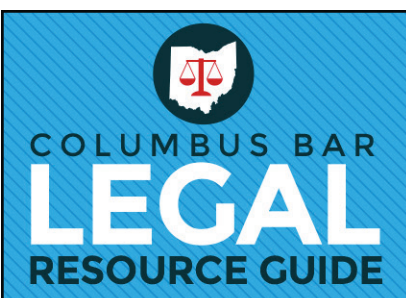
known as a LOI, is not a binding agreement, but it is an opportunity for the buyer and seller to hammer out and negotiate the principal terms that will be incorporated into the final documentation. It is always wise to have the buyer and seller negotiate these terms without an attorney involved, and then bring the attorney(s) in to draft the

documents. There is an old adage, which is more often true than not, and that is attorneys will often "kill the deal" because they get down into the weeds

and over negotiate, thereby killing the deal before it even materializes. You can have your attorney in the background advising you on the key terms, but try to keep them out of the initial negotiations.

The key terms that need to be in a LOI include: the purchase price; the terms of payment; whether it is going to be a stock sale or an asset sale; whether there will be restrictive covenants (non-competes and non-solicitations); whether the purchase price, if paid over time, will be secured and how; what assets and liabilities are excluded

from the transaction; whether a consulting agreement is necessary to assist the buyer in the transition of the business; indemnification provisions; requirements that the business will operate in a normal fashion during the pre-closing period and a date for the closing. The more terms that are agreed upon in the beginning of the process and are incorporated into the LOI, the better chance you will have closing the transaction and keeping your attorneys' fees and expenses at a minimum. ■



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