



# 2026 Estate Tax Cliff

## Why Auto Dealers Need to Revisit Their Estate Plan

David Blum, JD

John Davis, CPA

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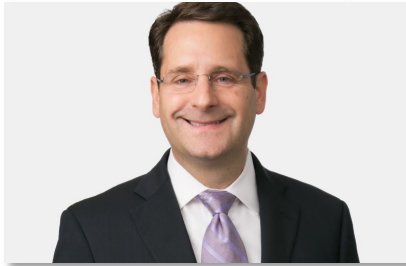
Mike Toth, CFA

2025 NADC Annual Member Conference

May 6, 2025

# Meet Your Panelists

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**David Blum, JD**

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David Blum is a Partner with Akerman LLP and serves as co-chair of its national Tax Practice Group.

A Fellow of the American College of Tax Counsel, David provides transactional, tax planning, and litigation counsel to dealerships and businesses throughout the United States. David's practice serves a variety of sectors including automotive, entertainment, family office, financial services, logistics and retail, among others, and is often viewed as an outside general counsel to his clients.

He has significant experience in creating and implementing tax-efficient structures for all types of transactions, including business start-ups, private equity, venture capital, buy/sell, joint ventures, restructurings, equity compensation plans, and corporate finance matters.



**John Davis, CPA**

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John Davis a Managing Director at Haig Partners. He has built a reputation as a trusted advisor to the retail dealership industry. For more than 38 years he has been working exclusively with dealers, helping them create improved operational efficiencies and elevating bottom-line results. He has worked alongside dealers of all sizes throughout the country, working on countless buy-sell transactions, bringing valuable advice to those looking to acquire dealerships, and advising dealers looking to sell.

John's experience includes leading the national dealership practice for one of the largest CPA firms, FORVIS (formerly DHG), and being a key contributor to the AICPA Dealership Conference. He is a frequent speaker for industry and state associations, as well as dealership 20-Groups.

# Meet Your Panelists

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**David Harkins, CFA, ABV**

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David Harkins is a Vice President at Mercer Capital. He has been involved with hundreds of valuation and litigation support engagements in a diverse range of industries on local, national, and international levels.

As the leader of the firm's Auto Dealership Industry team, David publishes research on valuation issues in the newsletter *Value Focus: Auto Dealer Industry*. He also contributes regularly to Mercer Capital's *Auto Dealer Valuation Insights Blog*.

As a member of Mercer Capital's Litigation team, he provides both valuation and lifestyle analyses in addition to preparing attorneys and clients for various aspects of the marital dissolution process.



**Mike Toth, CFA**

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Mike Toth is a Managing Director at Haig Partners. He has been involved in the purchase or sale of more than 190 dealerships with a value of more than \$4.36 billion. His background includes serving as the Director of Corporate Development at AutoNation, Inc.

Mike is a CFA® charterholder and has an MBA from Florida Atlantic University and a BS in Accountancy from Villanova University. He lives in South Florida.

# Outline

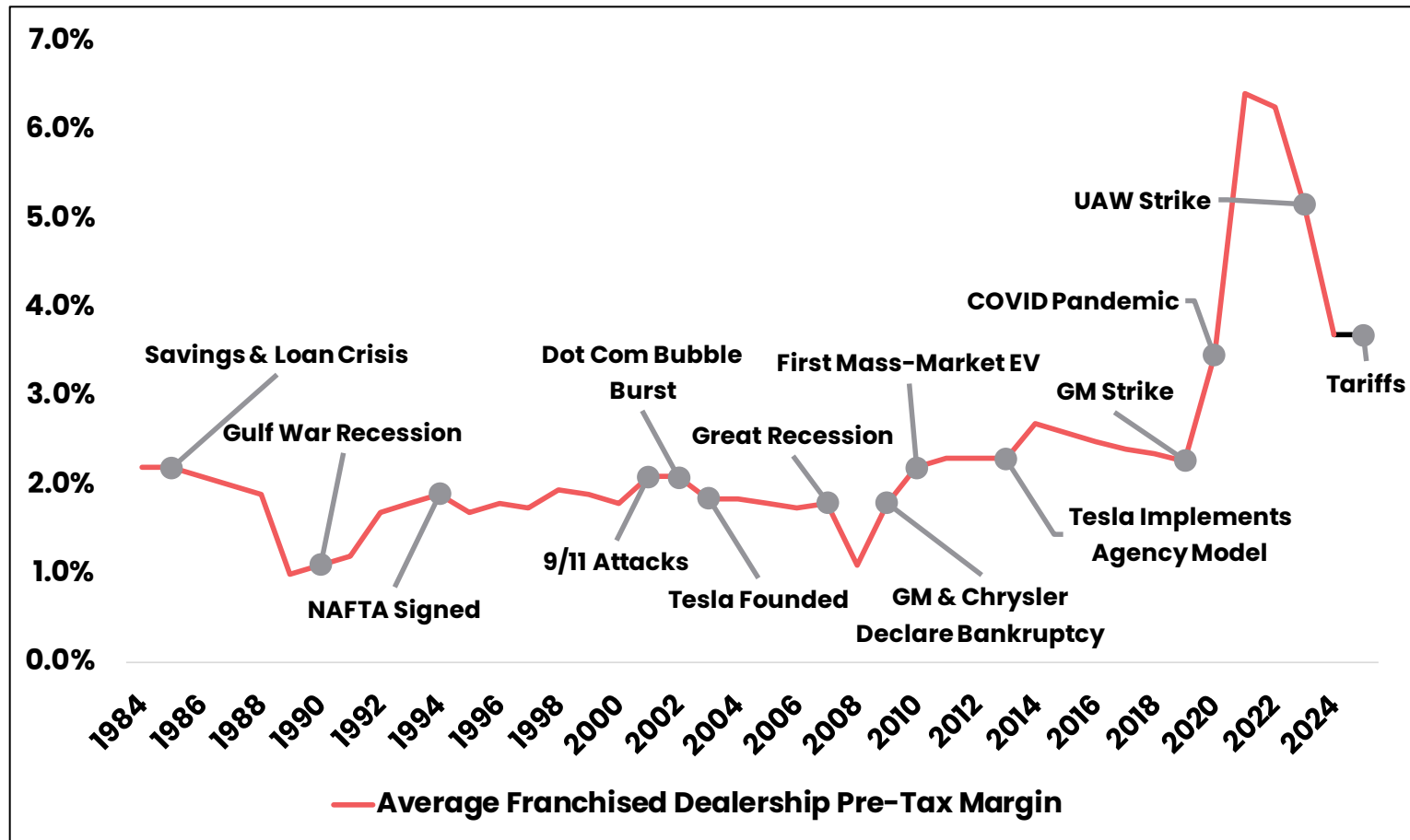
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- Current Operating and Buy-Sell Environment for Auto Dealers
- Overview of Current Tax Environment
  - What is Sunsetting in 2026?
  - Tax (and non-Tax) Reasons for Estate Planning
- War Stories and Discussion



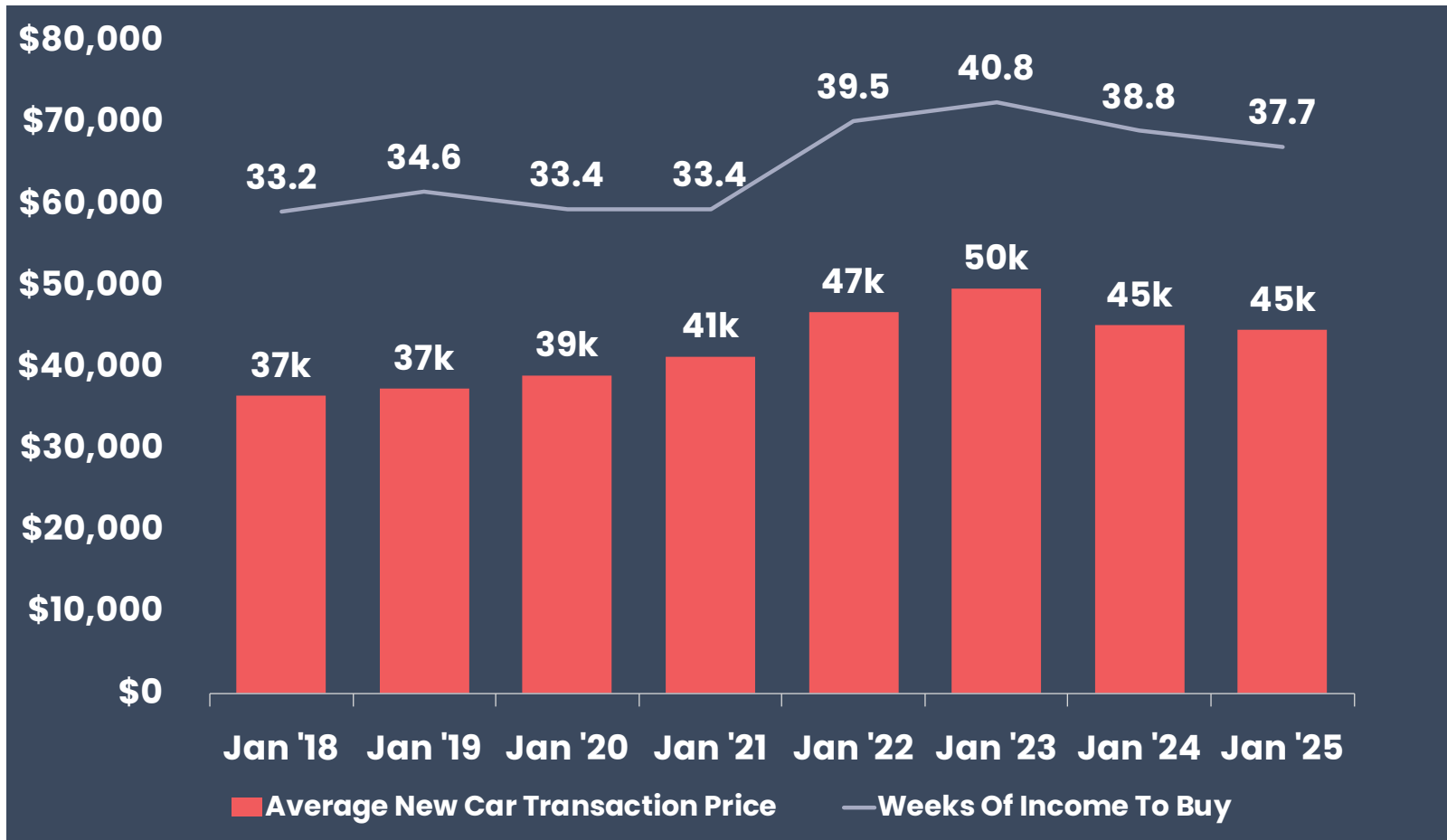
# **Current Environment for Auto Dealer Operations & Buy-Sells**

# Surprise Events that Can Influence a Sale



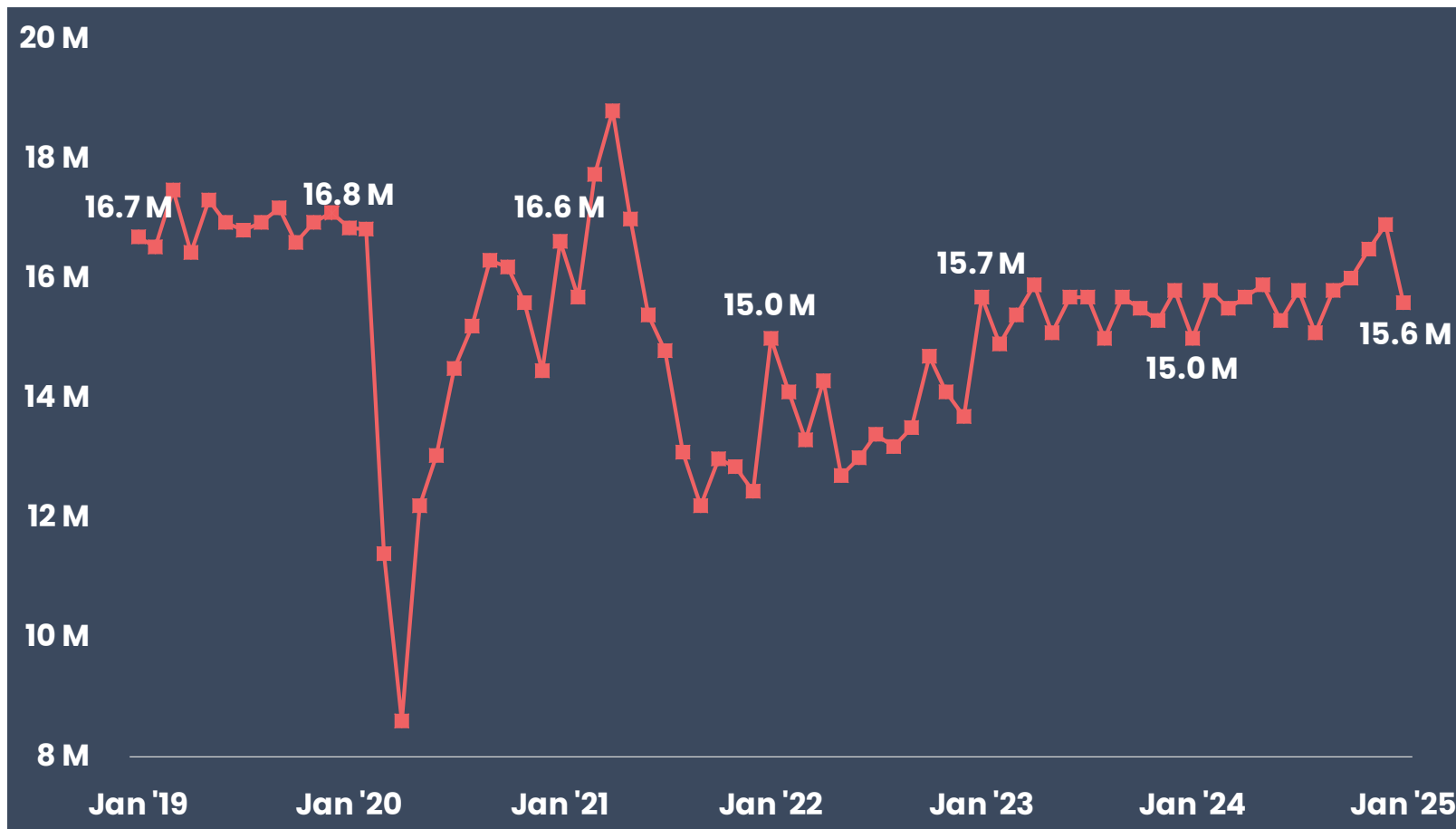
Source: SEC Filings, WardsAuto InfoBank, NADA

# Affordability Is Improving, but Prices Remain High



Source: Cox Automotive/Moody's Analytics, FRED, Haig Partners, J.D. Power

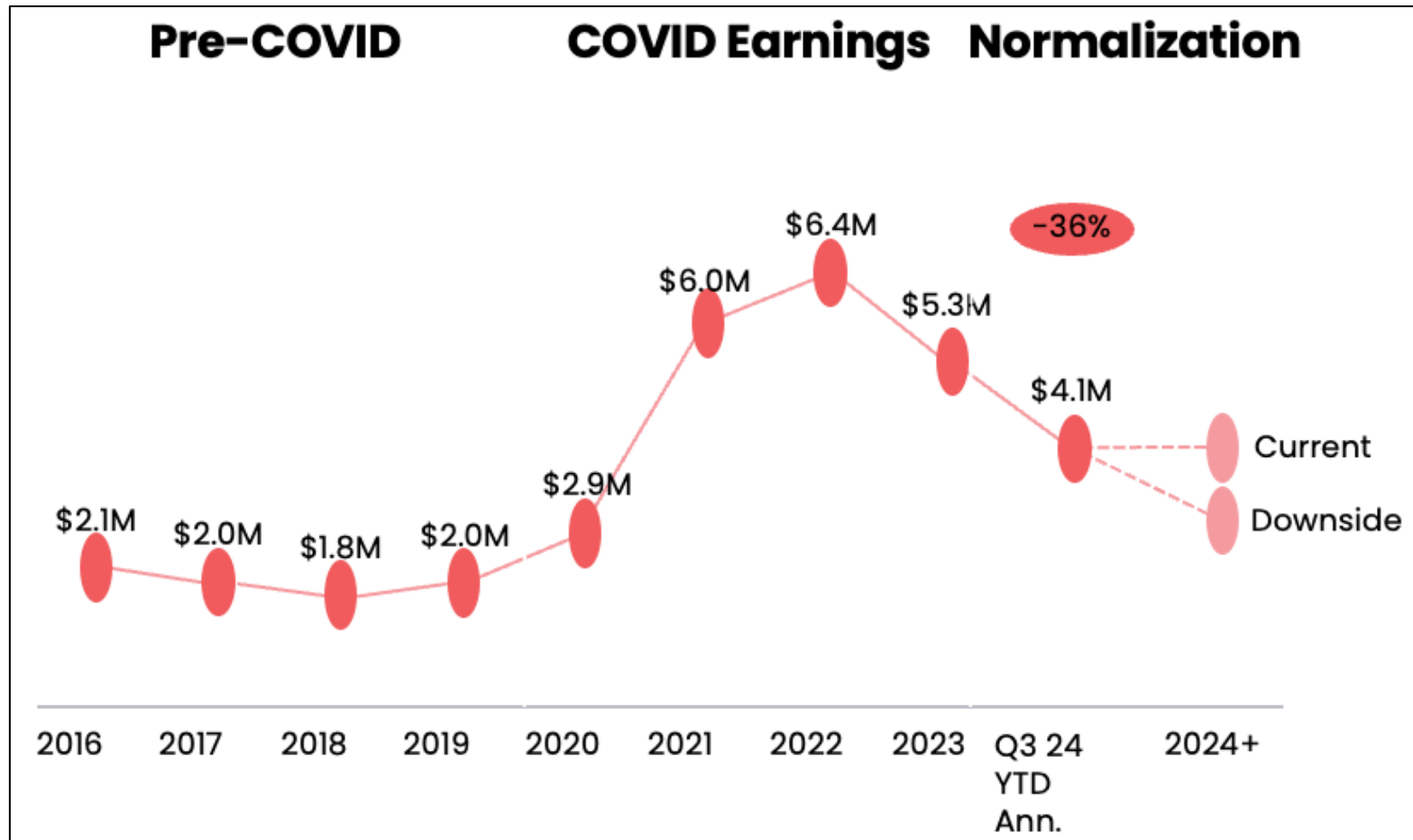
# SAAR Increased YoY, but Notably Lower Than December



Source: NADA

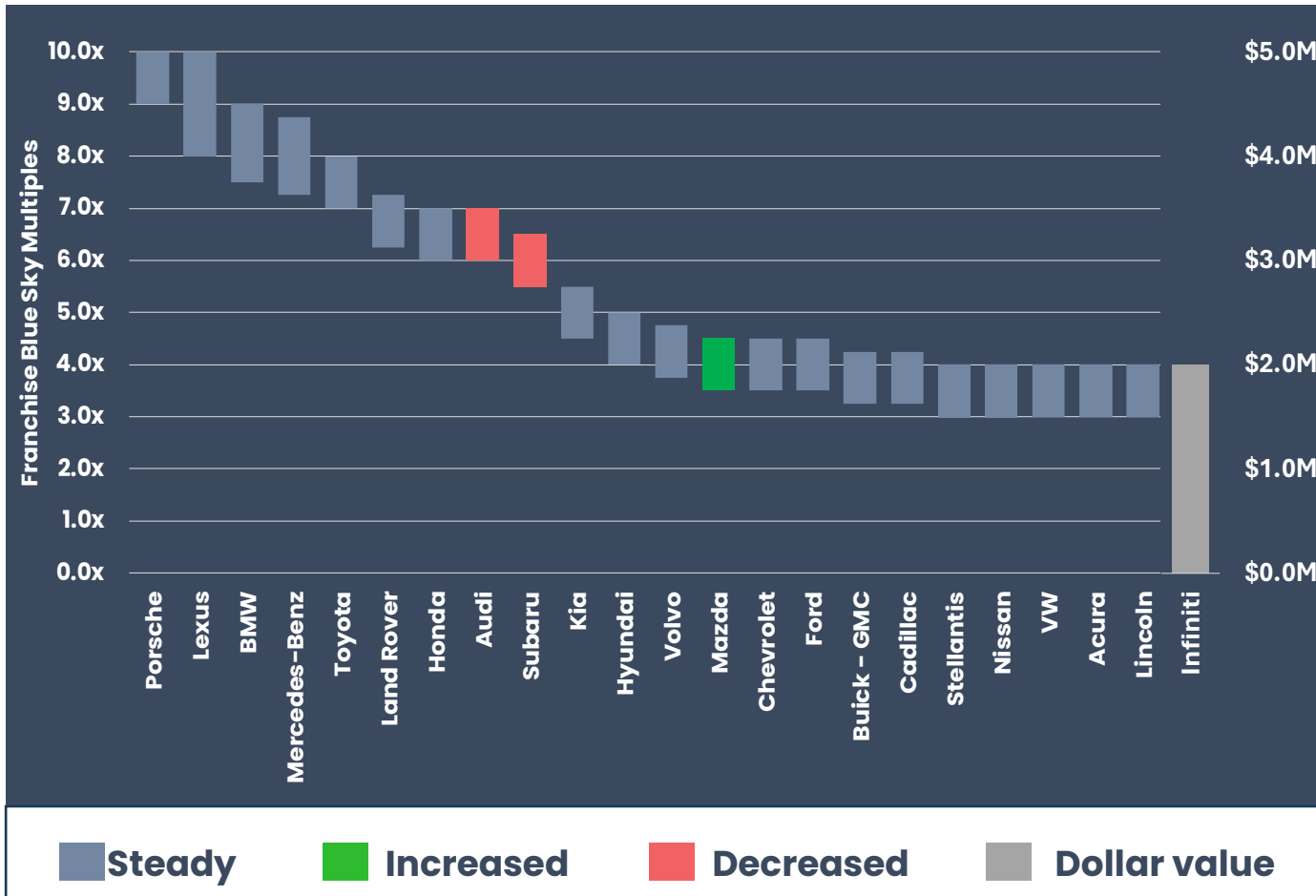


# Dealership Profits: *Where Are We Heading?*



Source: SEC Filings, Haig Partners

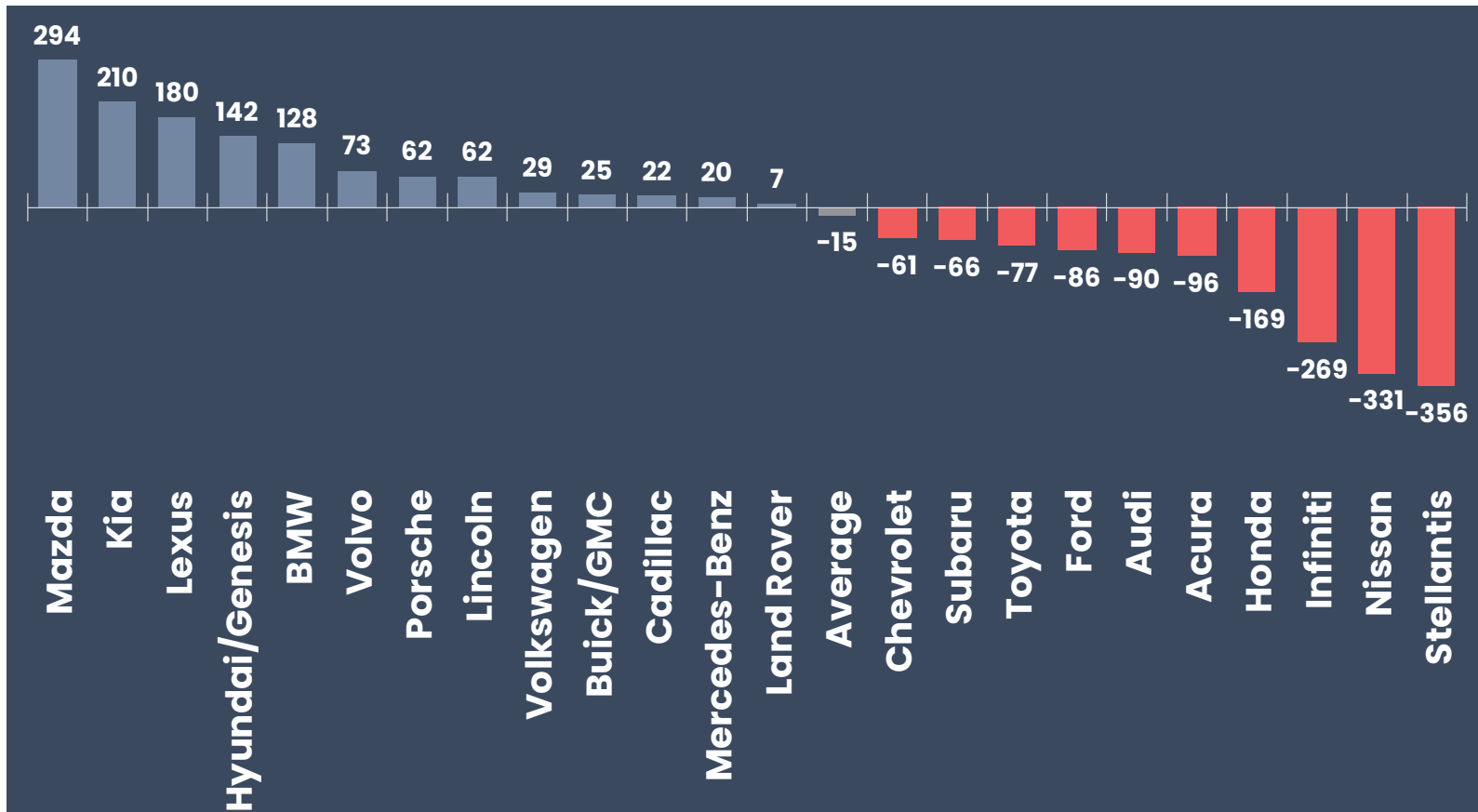
# National Average Blue Sky Multiples



Source: Haig Partners

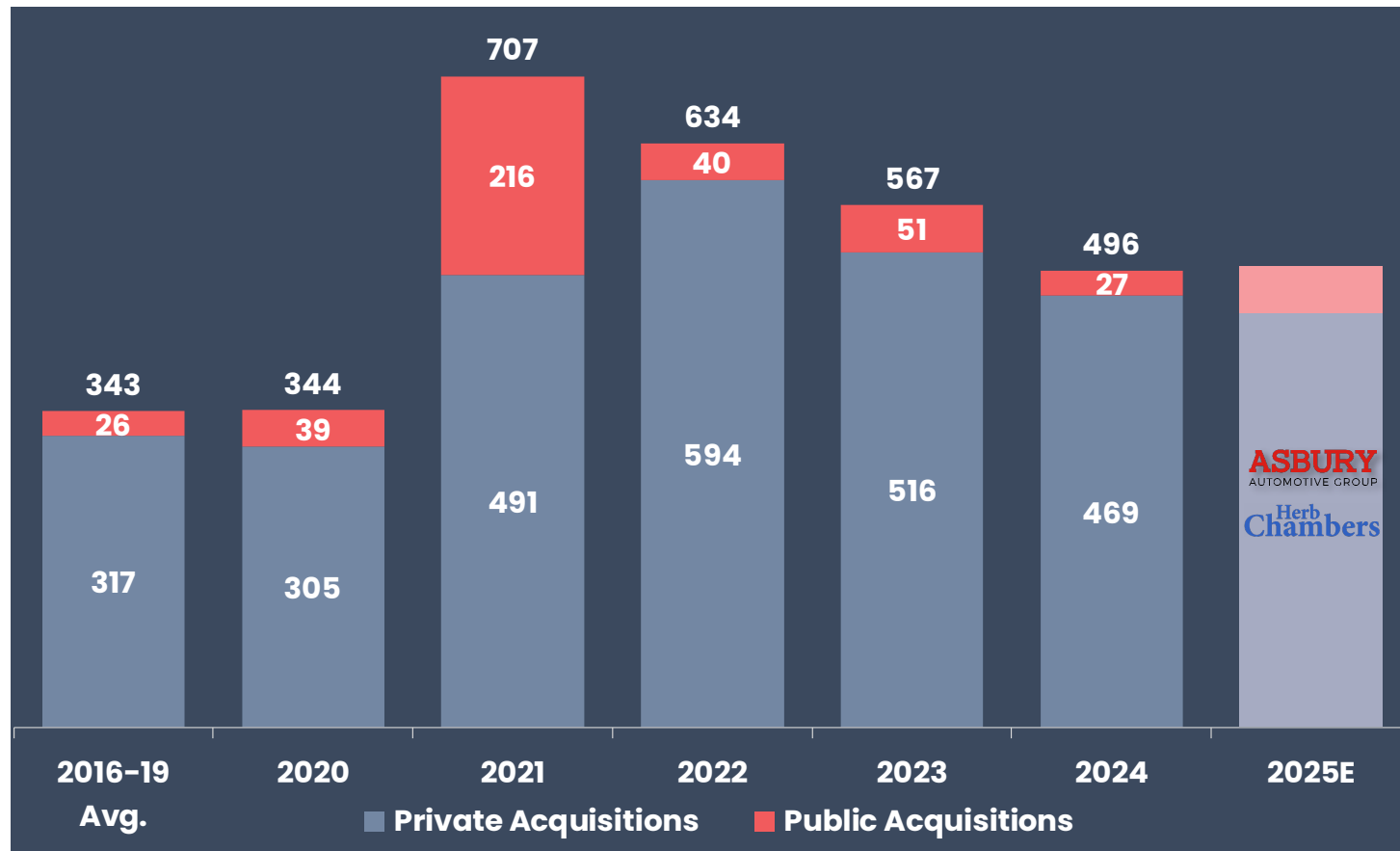
# Average New Car Sales Per Dealership: Unit Change

2019-2024



Source: Automotive News

# U.S. Dealerships Bought Or Sold



Source: Automotive News, SEC Filings, The Banks Report, Haig Partners

# Recommendations

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- With ~500 stores expected to trade in 2025, buyers should be actively looking at acquisitions
- With valuations still high, Sellers should look to cash out and transition at the right time
- First-time buyers should check out Nissan and Stellantis stores



# Overview of Current Tax Environment

# Sunsetting Provisions

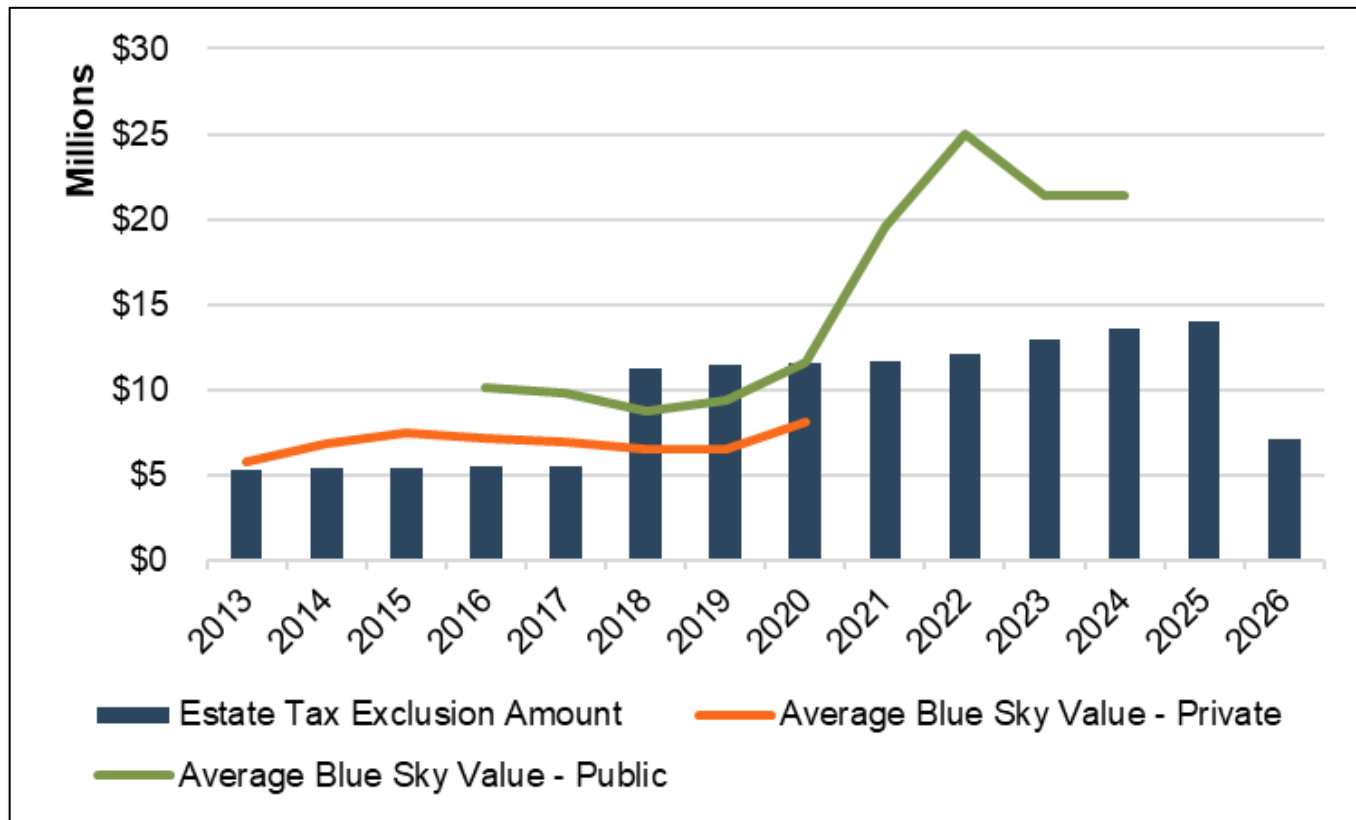
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In 2017, the Tax Cuts and Jobs Act TCJA became law. While some provisions were permanent, others are due to sunset December 31, 2025. Sunsetting provisions include:

- Personal income tax rates
  - Top marginal rate from 39.6% to 37%
- Qualified Business Income (“QBI”) deduction
  - 20% deduction for qualifying dealerships
  - C corporations saw a 40% decline in tax rate from 35% to 21% (permanent)
  - The 20% deduction drops the effective top marginal federal rate from 37% to 29.6% (sunsetting)
- State and Local Tax Limits (“SALT”) of \$10,000
- Estate/Gift Tax Limit
  - 2017: \$5,490,000
  - 2025: \$13,990,000
  - 2026: \$7,120,000\* (estimated based on inflation)

# Historical Estate Tax Exemption Amount

Blue Sky values have increased significantly more than the Estate Tax Exclusion amount, which is anticipated to decline by ~50%





# Wealth Transfer Trends

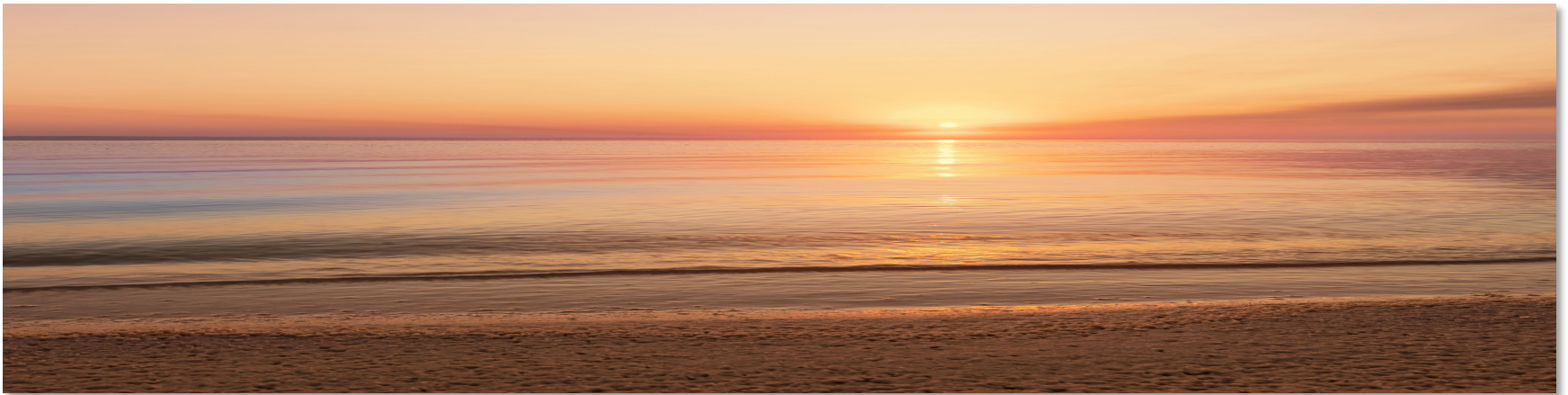
- While the number of deaths in the U.S. has steadily increased, the number of taxable Estates has declined significantly
- The U.S. population is aging, and the “Silver Tsunami” will have trillions of dollars of wealth passed down to future generations, whether by gift or at death

Estate tax after credits (Millions)	2020	2017	2009	2010	2000	1990	1976
Deaths	3,342,717	2,770,702	2,389,130	2,432,241	2,349,361	2,079,034	1,819,107
% of deaths resulted in taxable estate	0.04%	0.19%	0.24%	NA	2.18%	1.19%	7.65%
Number of taxable estates	1,275	5,185	5,668	0	51,159	24,647	139,115
Estate tax after credits (Millions)	\$ 9,334	\$ 19,940	\$ 13,553	\$ 0	\$ 24,033	\$ 9,217	\$ 4,979

# Lifetime Exemption Amount: *Use It Or Lose It!*

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Under current tax laws there is an opportunity for those with a taxable estate to engage in advanced planning **before** the end of 2025



# Lifetime Exemption Amount: *Use It Or Lose*

## Current Federal Estate Tax Exemption

- For 2024, the Federal estate tax exemption (applicable exclusion amount) is \$13.61 million per person, reduced by the value of certain lifetime gifts.
- Estate tax rate of 40%
- For sake of discussion, on a \$48 million estate, with prior gifts of \$4 million, estate tax liability of approx. **\$15,356,000** (assuming availability of current exemption at Brian's death)

## Sunsets in 2026

- The exemption will revert to \$5 million, adjusted for inflation (for discussion, assume adjusted to \$7.080,000)
- For sake of discussion, on a \$48 million estate, with prior gifts of \$4 million, estate tax liability of approx. **\$17,968,000** (assuming availability of reduced exemption at Brian's death)

*For discussion purposes only. Should not be construed as legal advice. Please rely on the actual provisions of the estate planning documents once completed. Further, to the extent financial information is included, such information is likewise to facilitate discussion and should not be relied upon as projections of inheritance, tax exposure, or for any other purpose.*

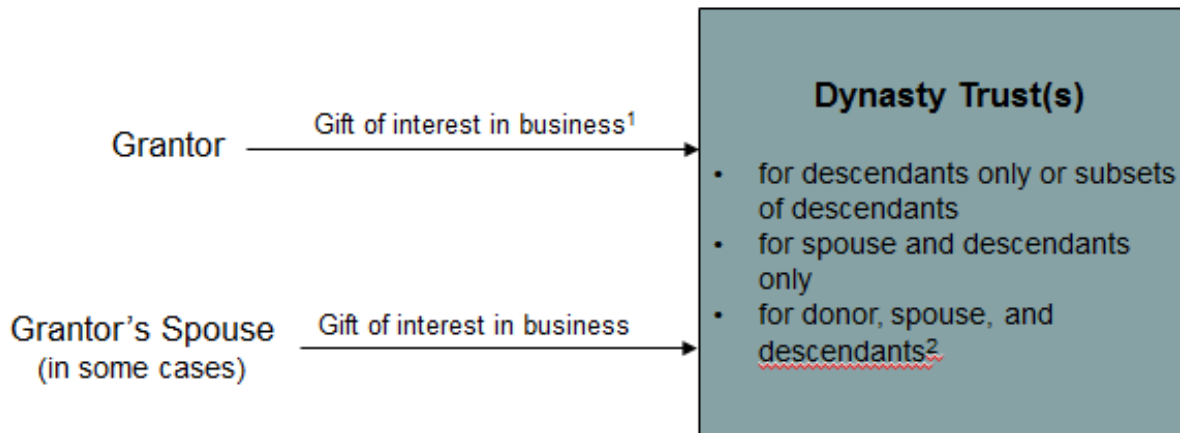
# General Planning Tools

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- Base Estate Planning
  - Unexpected incapacity or death
    - Will
    - Revocable trust
    - Documents to deal with disability
  - Asset protection
  - Buy-sell agreements and other transactional documents
    - To address transition events such as death, incapacity, divorce, and creditors
  - Life Insurance
    - Structuring is critical to ensure proceeds are received free of income and estate tax

# Pre-Sale Planning

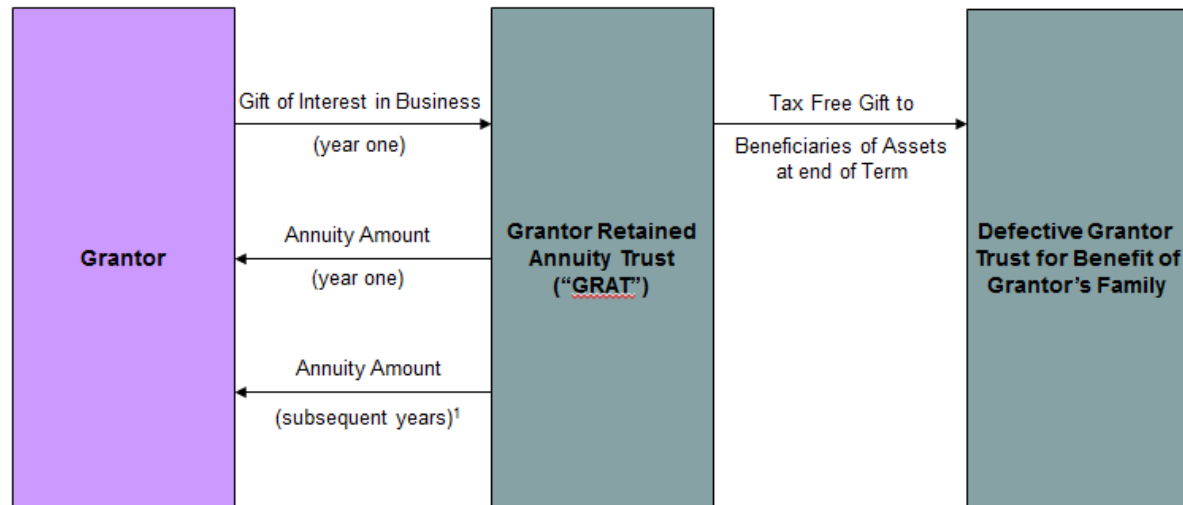
## Leveraged Estate Planning Transactions: Gifts to Dynasty Trust(s)



1. Lifetime gift tax exemption amount and annual exclusion gifts.
2. Consider jurisdiction where trust is established and governing law. (These issues can affect how you can design a trust and how flexible it can be).

# Pre-Sale Planning (cont.)

## Leveraged Estate Planning Transactions: Create and Fund a Grantor Retained Annuity Trust

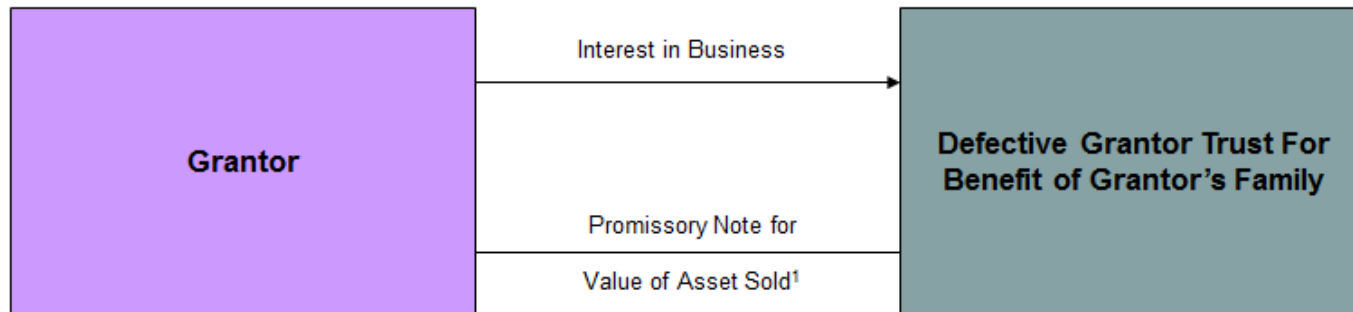


1. A GRAT term can be as short as two years or could continue for much longer term.

# Pre-Sale Planning (cont.)

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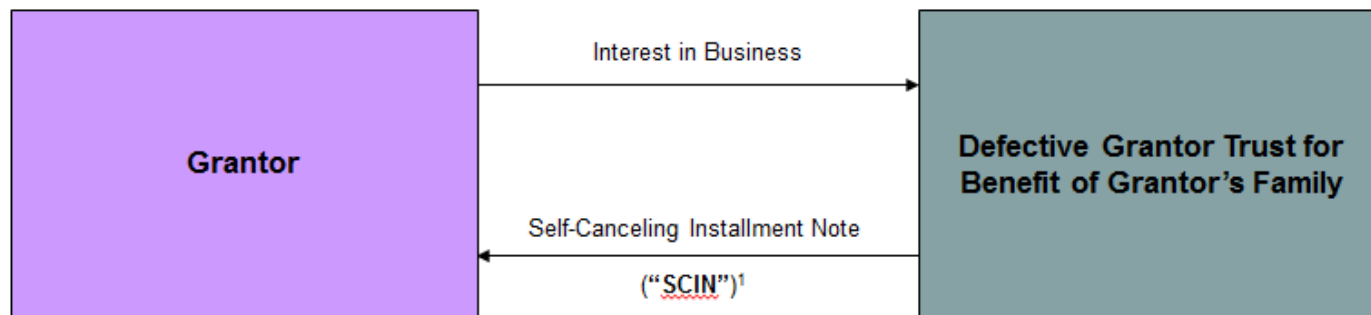
## Leveraged Estate Planning Transactions: Installment Sale to Defective Grantor Trust



1. No income tax consequences to sale transaction during grantor – seller's life.
2. Grantor must pay all income tax due on assets held in trust.

# Pre-Sale Planning (cont.)

## Leveraged Estate Planning Transactions: Sale for Self-Canceling Installment Note



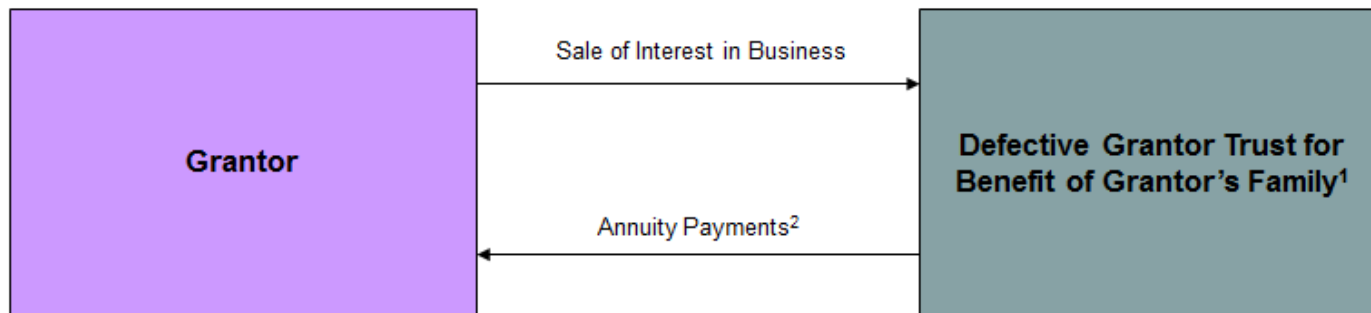
1. Risk premium must be included in note terms.
2. If grantor dies during term of note, obligation to pay outstanding balance is extinguished.
3. No income tax consequences to sale transaction during grantor – seller's life.
4. Grantor must pay all income tax due on assets held in trust or during grantor's life.



# Pre-Sale Planning (cont.)

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## Leveraged Estate Planning Transactions: Private Annuity Transaction

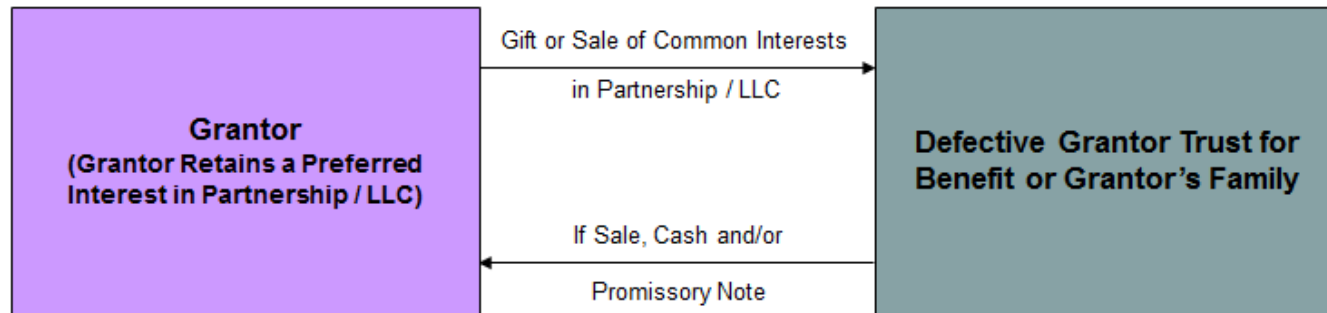


1. Using a defective grantor trust avoids income tax consequences during life of grantor.
2. Payments determined by Section 7520 Rates and annuity factors.

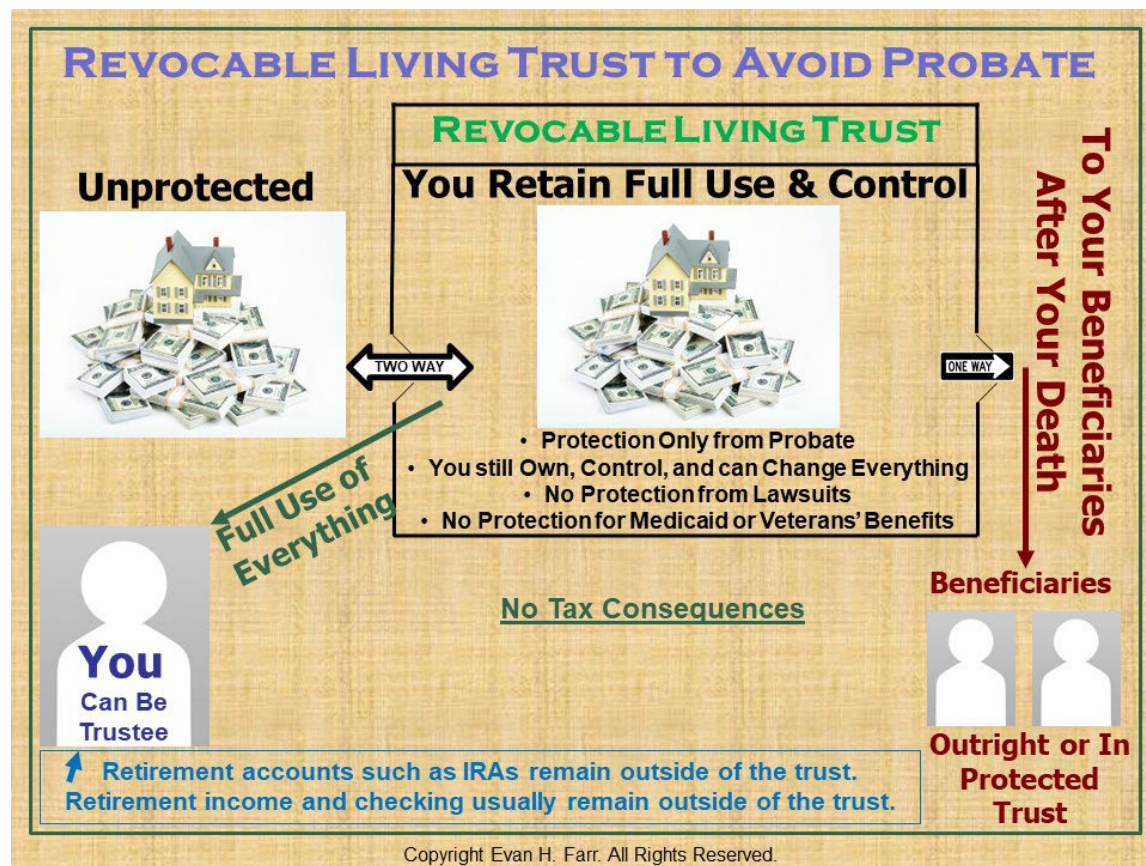
# Pre-Sale Planning (cont.)

## Leveraged Estate Planning Transactions: Freeze Partnerships/LLCs

Pre-Sale or Gift



# Funding Revocable Trust



# Irrevocable Trusts (During Life): Generally

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- In contrast to the revocable trust, the grantor of an irrevocable trust may not retain the right to revoke, alter, amend, or terminate the trust.
- The purpose of creating an irrevocable trust is to remove the transferred assets from the gross estate.
- Grantor creates and transfers property by gift to a trust which generally benefits someone other than himself.
- The grantor should not retain an income interest or a reversionary interest in the trust assets.

# Preserving Estate Tax Exemption

## By Making Lifetime Gifts Leveraging Valuation Discounts

- 1 • Grantor creates and funds a new LLC.\*

- 2 • Grantor gifts interest in LLC to family members or trust(s) for family members.
  - Discounts for lack of marketability, lack of control, and for minority interest may be appropriate.

- 3 • The beneficiaries receive membership interest and the income and growth of the assets in the LLC.



\* Assumes Brian does not desire to gift interest in an existing LLC.

# Hypothetical Example:

## *Leverage of Exemption*

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Gift of LLC Interest, resulting in savings of \$1.5 million	
\$5 million	Value of the Gift with No Valuation Discounts
-\$1 million	Less 20% Lack of Control Discount
-\$0.5 million	Less 10% Lack of Marketability Discount
\$3.5 million	Value of the Gift for Gift Tax Purposes

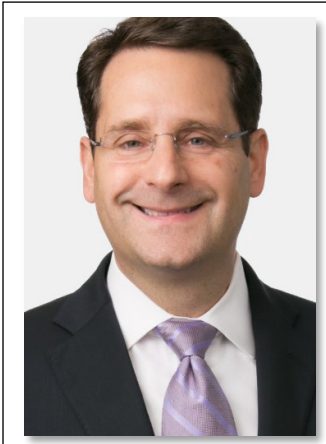
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# War Stories & Discussion

# Thank You!

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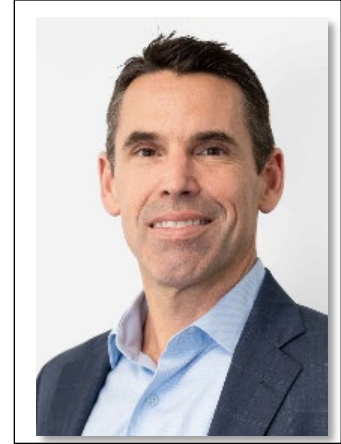
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