

Tax Reform Favors Life Settlements

Buckeye Life Resources

The 2018 tax overhaul improved an already robust life settlement market in two ways:

Lower Taxes for Sellers

Reversing an IRS rule from 2009, the new law simplified how sellers of life insurance determine their tax basis by factoring the entire premium amounts paid into policies (i.e., it's no longer required to deduct the cumulative cost of insurance charges from the premiums to calculate the cost basis). This change decreased taxes for sellers and afforded life settlements the same straightforward tax treatment as policies surrendered for a gain.

Of note, the revision was retroactive to August 25, 2009 (the date of the prior IRS ruling), suggesting tax rebates or credits are possible for transactions from then until year-end 2017.

Higher Estate Tax Exemption

The estate tax exemption is \$27.22 million per married couple for 2024, which means the threshold has increased by a factor of 21 during the past 25 years (from \$1.25 million in 1998). Owing to this sea change in the tax code, life insurance policies originally intended to pay estate taxes have become increasingly unnecessary over time.

Is it in the best interest of any of your clients to consider a life settlement, especially during the prevailing seller's market ?

Please consider me your resource for life settlements. I would appreciate the opportunity to work with you.

Todd Everson

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Buckeye Life Resources is not a professional tax advisor, so you should consult one before acting or not acting on what's referenced above.

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