



# “Connelly v. United States v. Business Owners”

Attention Professionals Who Advise Business Owners:

## Please Ensure Your Business Owner Client's Buy-Sell Agreements are Up-to-Date

The recent June 2024 Connelly v. United States U.S. Supreme Court ruling changes how life insurance proceeds are treated for estate tax purposes in buy-sell agreements. Previously excluded, these proceeds must now be included in the corporation's value, potentially increasing estate taxes for closely-held businesses.

### Impact of Connelly Ruling on Buy-Sell Agreements:

**Buy-Sell Agreements:** If funded with corporate-owned life insurance, sometimes called “entity purchase” or “stock redemption” buy-sell agreements (a very common type of buy-sell agreement), the proceeds for buying out a deceased shareholder's interest will now be included in the corporation's value, potentially increasing estate taxes.

**Estate Planning:** Reassess strategies involving life insurance policies to minimize significant tax liabilities.

**Company-Owned Life Insurance:** The ruling prioritizes the need to review and address life insurance with the company as the owner for buy-sell agreements. Alternative structures may be needed to avoid adverse tax consequences.

### Importance of Reviewing Buy-Sell Agreement Regularly:

The Connelly ruling highlights the need for regular professional reviews of a business' buy-sell agreement to:

1. **Changes in Business Value:** Reflect current business value to prevent disputes.
2. **Ownership Changes:** Account for new or departing partners for smooth transitions.
3. **Regulatory and Tax Changes:** Stay compliant with changing laws and regulations.
4. **Life Events:** Align with significant life events affecting your agreement.

### Let us Help: Complimentary Review Service

To keep your Business Owner Client's agreements current and better suited for the needs of the business and its ownership, for free, let us assess the current agreement and propose any better alternative structures that can improve compliance and overall value.

### Help Protect The Business and Everyone's Legacy

Contact us for a free review to safeguard the business and ensure a smooth transition for the owner's heirs. Ensure Business Continuity and protect heirs from unnecessary taxes. Schedule your free consultation now!

Let's discuss: 847-519-1137 [jamie.farmer@fsgllp.com](mailto:jamie.farmer@fsgllp.com)

For a Summary of the  
Supreme Court Decision  
- Link [Here](#):



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