



Drive Your Dealership Into the Future: Estate Planning Considerations for Auto Dealers in Light of the One Big Beautiful Bill Act

By Shaina Kamen, *Holland & Knight*

Business succession planning is a critical part of business operations for auto dealers. While more typical estate planning addresses the formidable and daunting question of how and to whom the dealer's business will pass at death, basic estate planning does not address the more common situation where family members are not interested in running the business indefinitely. For this reason, business succession planning is critical to evaluate what the dealer's goals are for the future of their business, and whether it makes sense to plan for the business to pass to the next generation or to consider opportunities to sell the business to third parties prior to death.

The One Big Beautiful Bill Act (OBBBA), signed by President Trump into law on July 4, 2025, made significant changes to the tax laws that will be effective on January 1, 2026. OBBBA addresses a number of tax considerations that impact auto dealers as they consider whether to transition their businesses to children or other family members through estate planning, or sell the business to third-parties as part of a broader succession planning strategy.

For dealers who are interested in transitioning their business to children or other family members, OBBBA expands opportunities to transfer the business while **minimizing the impact of gift, estate, and other transfer taxes**. OBBBA increases and makes permanent (for now) significantly higher estate, gift, and generation-skipping transfer tax exemptions. Effective January 1, 2026, OBBBA increases the amount that may be transferred to third-parties through estate planning or death to \$15 million per person (\$30 million per married couple). These exemptions are indexed for inflation and provide a significant opportunity for dealers to transfer the business to family members. Where the value of the business exceeds the dealer's remaining exemption, estate planning strategies including sales to intentionally defective grantor trusts, such as Spousal Lifetime Access Trusts and Dynasty Trusts, can be implemented to transfer the business to family members in a tax effective way. These planning techniques can even be structured to provide the dealer or spouse with an income stream attributable to the value of the business, as well as certain types of control over the business operations. These tools may incentivize the dealer to engage in tax planning.

For dealers who are interested in selling their business, OBBBA expands the already favorable rules about **Qualified Small Business Stock** ("QSBS"), making it easier for shareholders to sell their stock

while eliminating or greatly minimizing capital gains. Under the QSBS rules, certain eligible investors in C-corporations may exclude some or even all of their capital gains from federal tax when the stock is sold. Under the existing law, the capital gains exclusion is limited to the greater of (1) \$10 million or (2) 10 times the shareholder's basis in the QSBS. Under the new law, effective January 1, 2026, the capital gains exclusion is increased to \$15 million, adjusted for inflation annually (or 10 times the shareholder's basis in the QSBS). The capital gains exclusion may be leveraged even further through an estate planning technique referred to as QSBS trust "stacking." Among other changes, the new rules also make it easier for a C-corporation to qualify for QSBS treatment by softening the required holding period for the stock and increasing the ceiling for the corporation's gross assets at inception from \$50 million to \$75 million.

Last, auto dealers often look to employee stock ownership plans, or ESOP. ESOPs are tax-qualified, deferred compensation plans that facilitate employee ownership of company stock, similar to an employee retirement plan. While ESOPs aren't directly impacted by OBBBA, there are various tax strategies that may make ESOPs a top contender for auto dealers.

With the enactment of OBBBA and its tax advantages for auto dealers, taking steps to implement succession planning is a critical part of planning for auto dealers that should not be overlooked.

About NLX

Shaina Kamen is a private wealth services attorney. Ms. Kamen serves as general counsel to high-net-worth individuals and multigenerational families throughout New York and Florida.

Ms. Kamen advises clients on all aspects of estate, gift and generation-skipping transfer tax planning to create plans consistent with client goals, with an emphasis on coordinating the overlay of business succession planning on estate planning for family-owned business structures.

In addition to developing comprehensive wealth transfer plans for clients, Ms. Kamen often acts as a resource to family offices, including trustees and other advisors, to

coordinate the implementation of estate plans across multigenerational family groups. She also works with family members and advisors to evaluate family office structures and needs, including restructuring existing family offices or creating new family offices as objectives evolve over time.

Ms. Kamen's practice encompasses all aspects of estate and trust administration in New York and Florida, including post-mortem estate planning, and federal and state estate tax matters.

Ms. Kamen frequently writes and speaks on estate planning topics relating to high-net-worth individuals and families. She is an adjunct professor at the University of Miami School of Law, Graduate Program in Taxation.



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