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Dear Clients and Friends:

With the start of the new year well underway, I want to cover a few recent legal developments which might be of use to you:

**Social Security Benefits for Public Employees.** There is extremely good news for retired individuals who were public employees (or spouses of public employees) and who experienced reductions in the amount of Social Security benefits payable to them because they had a pension based in whole or in part on their own earnings from their public employment not covered by Social Security (a "Public Employees Pension"). Previously, the Windfall Elimination Provision (WEP) reduced the Social Security benefits payable to individuals who were eligible for both Social Security benefits and a Public Employees Pension. For example, if an individual worked in a private-sector job where Social Security taxes were paid, but later became a firefighter, police officer, public schoolteacher or other government employee covered by a Public Employees Pension, the individual's Social Security benefits (including survivor's benefits earned because their deceased spouse had earned Social Security) would be reduced (or eliminated) under WEP. In addition, the Government Pension Offset (GPO) applied to the spouses or surviving spouses of such employees to reduce (or eliminate) their Social Security spousal benefit or survivor's benefit.

Fortunately, the Social Security Fairness Act (enacted by the outgoing administration on January 5, 2025) repeals WEP and GPO, retroactive to January 1, 2024. This means that, effective as of January 1, 2024, individuals (and their spouses or surviving spouses) who earned both Social Security and public pension benefits will be entitled to receive the full Social Security benefits which they (or their spouse) earned.

The Social Security Administration (the "SSA") is working to implement the Social Security Fairness Act, and it is unknown how quickly the SSA will start to pay out adjusted benefits due under the Social Security Fairness Act. There are some steps which individuals should take now to make sure that they receive the Social Security benefits that they are entitled to once the SSA is ready to start payments:

- If the individual had previously applied for Social Security benefits, but suffered a reduction (or elimination) of Social Security benefits under WEP or GPO, the individual does not need to re-apply for Social Security benefits. The SSA will (eventually) automatically calculate the adjusted payments, retroactive to January 1, 2024, and remit payment of the amount due to the individual.

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*Internal Revenue Service Treasury Regulations require that I inform you that, to the extent that this communication or its attachments concern federal tax issues, any advice contained in this communication or any attachment thereto is not intended or written to be used, and cannot be used, to avoid penalties under the Internal Revenue Code.*

Individuals are encouraged to check their records with the SSA to make sure that the SSA has the individual's current mailing address and (if applicable) direct deposit information.

- If the individual never applied for Social Security benefits (because the individual knew that their benefits would be eliminated) and the individual wants to start taking Social Security benefits now (and not defer filing to receive a larger monthly benefit in the future), the individual should file an application for Social Security benefits as soon as possible. Individuals who never filed a Social Security benefits application are not eligible for full retroactive payments back to January 1, 2024, but the SSA may award up to six months of retroactive payments, measured from the date of application for individual who have already reached their full retirement age. Accordingly, individuals who have reached their full retirement age should consider filing their Social Security application as soon as possible. Of course, if the individual is between ages 62-70, the individual may want to consider whether it would be beneficial to delay filing for Social Security benefits to receive a larger monthly benefit when they do file.
- To qualify for Social Security benefits, an individual must generally have earned 40 quarters of Social Security credits. A quarterly credit is earned for each calendar quarter in which an individual pays Social Security taxes (even one qualifying paycheck will suffice to earn a Social Security credit for the quarter). If an individual isn't sure if he or she has enough quarterly credits to qualify for Social Security, the individual can create an account to double-check the number of quarterly credits at this website: <https://www.ssa.gov/myaccount/create.html> . And remember, if an individual is "short" on the required 40 quarterly credits by only a few quarterly credits, the individual can always take on a part-time job to earn the missing quarterly credits.
- Finally, the SSA is taking applications by telephone for people who did not previously apply for retirement benefits because of WEP or apply for spouse's or surviving spouse's benefits because of GPO. If you meet these conditions, you can call 1-800-772-1213 Monday through Friday, from 9:00 a.m. to 6:00 p.m. ET. When the system asks, "How can I help you today?", say "Fairness Act" and you will be connected to a SSA representative with expertise in this area.

If you have questions about the Social Security Fairness Act or the process to claim Social Security benefits which may now be owed to you, you can also check the SSA's webpage on this topic: <https://www.ssa.gov/benefits/retirement/social-security-fairness-act.html?tl=0%2C1%2C2%2C4%2C5> .

**Federal and California Tax Relief for Taxpayers Impacted by the LA Wildfires.** The IRS has announced tax relief for taxpayers impacted by the Los Angeles County wildfires. If a taxpayer resides in or has a business in Los Angeles County, the taxpayer qualifies for tax relief in the form of postponed deadlines for tax filings and payment deadlines falling on or after January 7, 2025, through Oct. 15, 2025. As a result, affected taxpayers will have until October 15, 2025, to file returns and pay any taxes that were originally due during this period.

The October 15, 2025, deadline applies to a wide variety of deadlines, including the following:

- Individual income tax returns and payments normally due on April 15, 2025.
- 2024 contributions to IRAs and health savings accounts for eligible taxpayers.
- 2024 quarterly estimated income tax payments which were due on Jan. 15, 2025, and estimated tax payments normally due on April 15, June 16 and Sept. 15, 2025.
- Quarterly payroll and excise tax returns normally due on Jan. 31, April 30 and July 31, 2025.
- Calendar-year partnership and S corporation returns normally due on March 17, 2025.
- Calendar-year corporation and fiduciary returns and payments normally due on April 15, 2025.
- Calendar-year tax-exempt organization returns normally due on May 15, 2025.

The IRS will automatically provide filing and penalty relief to any taxpayer with an IRS address of record located in the disaster area (Los Angeles County). These taxpayers do not need to contact the IRS to get this relief. It is possible an affected taxpayer will not have an IRS address of record located in the disaster area (for example, if they moved to Los Angeles County after filing their prior year's tax return, or if the taxpayer's sole proprietorship business is located in Los Angeles County but the taxpayer resides in another county and uses that residential address for tax reporting purposes). In these kinds of unique circumstances, the affected taxpayer may receive a late filing or late payment penalty notice from the IRS for the postponement period. The taxpayer can call the IRS at 866-562-5227 in advance of filing for further instructions before filing or to have any penalty abated after filing.

In addition, the IRS will work with any taxpayer who lives outside the disaster area but whose records necessary to meet a deadline occurring during the postponement period are located in the affected area. Taxpayers who live outside the disaster area and who believe that they may qualify for relief need to contact the IRS at 866-562-5227 for further instructions.

In addition, taxpayers in a federally declared disaster area who suffered uninsured or unreimbursed disaster-related losses can choose to claim them on either the return for the year the loss occurred (in this instance, the 2025 return normally filed next year), or the return for the prior year (2024). Taxpayers have up to six months after the due date of the taxpayer's federal income tax return for the disaster year (without regard to any extension of time to file) to make the election. For individual taxpayers, this means that the election must be made by October 15, 2026. Be sure to write the FEMA declaration number (4856-DR) on any return claiming a loss.

The California Franchise Tax Board has issued a notice that it will conform to the IRS's tax relief for taxpayers impacted by the LA wildfires to extend filing deadlines to October 15, 2025. Taxpayers should write "Los Angeles County Fire" in blue or black ink at the top of their

California tax returns (if filing by mail) or follow the directions of the electronic filing system (if filing electronically).

Finally, Governor Gavin Newsom has issued an executive order to suspend penalties and extend the deadlines for property tax payments and filings for taxpayers impacted by recent wildfires. California property taxes normally due in the 2025 calendar year are now due April 10, 2026. Property owners may also seek disaster relief to have property destroyed or damaged in the fires reassessed, and property taxes adjusted downward, by filing Form ADS-820 with the Los Angeles County Assessor's Office within 12 months from the date the property was damaged or destroyed.

**Increases in Federal Estate, Gift, and GSTT Exemptions and Exclusions for 2025.** I wanted to remind you about 2025 inflation-adjusted exemptions and exclusions for estate, gift, and generation-skipping transfer taxes, as follows:

- The Estate and Gift Tax Exemption increased to \$13,990,000 on January 1, 2025 (\$27,980,000 per couple with appropriate planning). This Estate and Gift Tax Exemption can be used to shelter gifts made during 2025 or the taxable estate of taxpayer dying in 2025.
- The GSTT Exemption likewise increased to \$13,990,000 on January 1, 2025 (\$27,980,000 per couple with appropriate planning). This GSTT Exemption can be used to shelter asset transfers made by gift or inheritance to persons who are two or more generations below the taxpayer from generation-skipping transfer tax.
- The annual gift tax exclusion increased to \$19,000 in 2025. The annual gift tax exclusion is the maximum amount which a taxpayer may give to an unlimited number of donees without needing to use the taxpayer's estate-and-gift tax exemption to shelter the gift from gift tax.
- The gift tax exclusion amount that can be given annually to a non-citizen spouse is increasing from \$185,000 up to \$190,000 next year.

This is a very favorable environment for wealth transfer planning. As of the date of this newsletter, federal law still provides that the Estate and Gift Tax Exemption and the GSTT Exemption will be reduced to one-half of their current levels (plus inflation adjustments) on January 1, 2026. Although the current administration and Congress have expressed their intention to extend the higher levels of the Estate and Gift Tax Exemption and the GSTT Exemption past January 1, 2026, we are still awaiting tax legislation to make this happen.

In the face of this uncertainty about future tax laws, tax planning opportunities still abound, and it may be prudent to undertake this planning in early 2025 (rather than wait and see). For example, while it is likely the current level of the Estate and Gift Tax Exemption will be extended past December 31, 2025, it is still possible that the Estate and Gift Tax Exemption will be reduced (cut in half) as of January 1, 2026. For clients with larger estates, it may be beneficial to plan and fund irrevocable trusts that will ultimately benefit the client's chosen

beneficiaries in a manner that is tax efficient and shifts future asset appreciation out of the client's taxable estate, whether or not the current level of the Estate and Gift Tax Exemption is extended or sunsets on January 1, 2026. At the least, it may be prudent to plan and draft the desired vehicle trusts and hold off on the funding until there is more certainty about the future of tax laws. Professionals (including attorneys, accountants and appraisers) may be unable to satisfy demand for estate planning services in 2025, especially for clients who wait until the end of 2025 to begin this planning (especially if the doubled Estate and Gift Tax Exemption is not extended). I recommend that clients start the planning process early in 2025.

**The Latest Developments on the Corporate Transparency Act.** The never-ending drama regarding the enforcement of the Corporate Transparency Act (the "CTA") continues to unfold. After a fast-paced series of court decisions "lifting" (terminating) various enforcement stays, re-imposing enforcement stays, and then re-lifting the enforcement stays, it appears that all enforcement stays have finally been lifted (for good). For the time being, the CTA is currently in effect and enforceable.

On February 19, 2025, FinCEN announced that, since all enforcement stays appear to have been finally lifted (for good), FinCEN will extend the CTA filing deadline for the filing of entities' initial BOI Report until March 21, 2025.

As of the date of this newsletter, the future of the CTA is still unknowable. The current administration has filed legal briefs in the underlying court cases, taking the position that the CTA is constitutional and fully enforceable. The House of Representatives has passed a bill confirming the provisions of the CTA but extending the compliance deadline to December 31, 2025. At this time, it is uncertain whether the Senate will act to approve the House's bill to extend the compliance date. In addition, FinCEN has announced that it may amend its rules to offer a filing extension for certain small businesses. And (of course), litigation on the issue will continue, regardless of the positions of the current administration or Congress. But (for now) the status of the CTA is that entities are required to file their initial BOI Report by March 21, 2025, and that entities have an ongoing obligation to file amendments, if necessary, on and after March 21, 2025.

If you have not already filed your entity's BOI Report, please review my August 2024 newsletter at <https://sliderlaw.com/newsletters/> for important information regarding the CTA and information about filing your entity's BOI Report. As I previously reported, there are both civil and criminal penalties for the intentional failure to file. Accordingly, until there is a clear final ruling on the constitutionality of the CTA (or modification or repeal of the CTA), I continue to strongly recommend that all clients comply with the BOI Report filing deadlines (as extended to March 21, 2025).

If you have any question, or if you or your accountant would like more details about any item discussed in this letter, please do not hesitate to call.

Very truly yours,



Linda C. Slider