

26 U.S. Code §280G – Golden Parachute Payments



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280G – Golden Parachute Payments

A parachute payment generally means any payment in the nature of compensation to a “disqualified individual” if such payment is contingent on a change of control¹. Golden Parachute payments that exceed a “safe harbor” amount may come with significant tax consequences. Golden parachute payments typically include severance payments, deal bonuses, accelerated vesting and payment of equity awards, and other payments. The “safe harbor” limit will determine if you will be impacted by the Golden Parachute guidelines. This is equal to three hundred percent of your base pay calculated as the average gross compensation over the last 5 years. Any payments you receive over and above the “safe harbor” limit may impose a 20% excise tax².

If a taxpayer can establish through “clear and convincing evidence” that a payment is “reasonable compensation” that amount may be excluded from tax calculations³. There may be other items that could serve to reduce potential 280G taxes including, the value of an individual’s non-compete agreement, consulting agreements, and retention bonuses among others². The rules pertaining to 26 U.S. Code §280G can be complicated and confusing. If you are an executive or business owner subject to these rules given an upcoming change in control of your company reach out to learn more. There are planning initiatives that may be taken to potentially reduce tax liability. Time is of the essence.





References & Disclosure

1. <https://www.irs.gov/pub/irs-drop/rr-05-39.pdf>
2. https://www.alvarezandmarsal.com/sites/default/files/tax_280g_taw_article_03.pdf
3. <https://www.law.cornell.edu/uscode/text/26/280G>

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Paul Litchfield Biography

Summary

- Paul has over a decade of experience working with clients across the United States. His unique skill set allows him to add value in areas most advisors cannot.

Why Paul?

- 24/7 White Glove Service
- Direct access. You don't get passed off.
- Youthful – Most advisors are in their 60's, thinking about their own retirement, not yours.
- Prevents you from experiencing problems in the first place, instead of after they occur.

Paul Litchfield is a fiduciary Wealth Advisor and Financial Planner. A fiduciary is a person who holds a legal or ethical relationship of trust with one or more other parties. Typically, a fiduciary prudently takes care of money or other assets for another person. Paul puts clients' interests first and is passionate about helping his clients meet all their financial needs through comprehensive planning. Paul was named a 2020 Five Star Wealth Manager* and was also named to the 2020 Top 100 People in Finance Magazine*.

Paul teamed up with Claro Advisors in 2018 to provide his clients with a deep bench of resources. Prior to joining Claro, Paul managed successful investment practices as a Vice President at another boutique investment firm and Morgan Stanley. Before transitioning to investment management, he worked for a public accounting firm in Boston as a CPA. Paul serves on the Board of Directors for The Massachusetts Society for the Prevention of Cruelty to Children and The Miss Massachusetts Organization, a subsidiary of the Miss America Organization. He is the founder of AdVenture International, a 501(c)(3) non-profit that he created after spending a summer teaching math and English in Africa.

Paul received a Bachelor's degree in both accounting and finance from The University of Massachusetts at Lowell and graduated Summa Cum Laude as a Commonwealth Honors Scholar. He holds a Master of Business Administration from The University of Massachusetts at Lowell with high honors. Paul also served on the advisory board at the University of Massachusetts Lowell.

Paul enjoys spending time with his family and supports the following causes: our service men and women, education, and helping mentor future generations. Paul is also a private pilot and enjoys flying airplanes in his spare time.

