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CELEBRATING 55 YEARS

Washington has passed a sweeping overhaul of the tax code for individuals and corporations - by Paul Dion

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Welcome to 2018! New Years' always brings changes to taxes. Key numbers, like tax brackets, standard deductions, personal exemptions, and qualified plan contribution limits, all roll over on January 1. But this year brings more change than any year since 1987. Washington has just passed a sweeping overhaul of the entire tax code, from working individuals all the way to multinational corporations. Tax planners across the country are scrambling to ferret out the opportunities hiding in its 503 pages of typically dense, impenetrable text. (There's a reason tax lawyers drive Jaguars.)

This year's tax bill avoids one particularly awkward tax transition we faced in 2010 — one that became, for some families, literally a matter of life or death. Remember the old children's Christmas special, Year Without a Santa Claus, with the dueling Heat Miser and Snow Miser? Those guys had nothing on 2010 . . . the Year Without an Estate Tax!

Estate taxes date back as far as 700 B.C. in ancient Egypt. (Of course, the Egyptians also buried their pharaohs with food, clothing, and jewelry for the afterlife.) Here in the United States, they began with the Revenue Act of 1862, which included gift and estate taxes ranging up to 6%, including bequests to charities. The Revenue Act of 1916 created the modern transfer tax system, with rates up to 10%. But those rates quickly climbed — when America's first billionaire John D. Rockefeller died in 1937, his estate paid 70%.

In 2001, the Bush tax cuts began raising the threshold for paying the tax from $675,000 to $3.5 million over a series of years through 2009. In 2010, the tax disappeared entirely. But then, due to Senate budget rules, it reset in 2011 at 55% on estates over $1 million. Of course, Congress had planned to do something to plug that one-year hole, but . . . you know how Congress sometimes doesn't get around to doing everything they're supposed to, and we rang in 2010 with no estate tax at all. Finally, in December 2010, Washington reinstated the tax beginning on January 1, 2011.

This presented a pretty straightforward challenge as 2009 drew to a close. Keep Grandpa alive past midnight! But December, 2010 posed a very different challenge. How much will Grandpa cost his heirs if he lives long enough to raise one final toast to auld lang syne? Here's how the Wall

Street Journal reported one case:

“In New York the lapsing tax spawned a major family conflict, according to one attorney. As a wealthy patriarch lay dying at the end of the year, it became clear that under the terms of the will his children would receive more if he died in 2010, while his wife (not the children’s mother) stood to benefit if he died in 2009. The wife then filed a “do not resuscitate” order and the children challenged it. The patriarch lived a few days into 2010, but his estate . . . remains unsettled given the legislative uncertainty.”

What, if anything, happens to estate taxes in the newest law? Good news . . . the amount you can leave to your heirs without paying actually doubles, to $11.2 million! Even better, there’s no provision for the rules to change again any time soon, which makes planning so much easier. So raise a toast to 2018 . . . and remember that, at least where taxes are concerned, saving money won’t require you to pay the ultimate price. We’ll be here for you this New Years’ and beyond, with all the strategies you need to pay the least amount allowed!

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