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## **Estate Tax, AMT, ETC - Has Washington Forgotten About The Other Taxes**

December 6, 2010 by Deirdre Wheatley-Liss



So Dem and GOP appear to all agree to extend this years income tax rates to next year - avoiding a jump in income and capital gains taxes when the ball falls on New Years Eve. This has been greeted with great fanfare in the press and an apparent sigh of relief and an attitude of "well, that's done now, on with Holiday shopping!". Whoa there - wait a minute - y'all ain't done yet.

Yes - the income tax effects everyone who earns or invests money, so agreement on that is the biggie. But there are lots of other tax issues that need to be addressed before year end.

The AMT (Alternative Minimum Tax) is a second way to calculate taxes. If you fall into the AMT, you pay the higher of the normal tax calculation or the AMT. The AMT was designed to more effectively tax income of very high earners back in the days of tax shelters, etc. The problem is that the level at which a person "qualifies" for the AMT is not indexed for inflation - so each year more and more families fall into the AMT not because they necessarily earned more, but because their earnings increased by a natural costs of living amount and the AMT did not. The result? Each year in December Congress traditionally passes an AMT "patch" which effectively adjusts the AMT limit for inflation (why they don't just pass the law one time to index for inflation automatically each year I don't know - maybe so lawmakers can create press being seen as Robin Hood each year "we staved off the AMT for another year - Merry Christmas").

Even the IRS has implored Congress to patch the AMT. According to Reuters "The U.S. tax chief told lawmakers on Wednesday the Internal Revenue Service needs clarity on the fate of the alternative minimum tax, which could ensnare 21 million unintended taxpayers if a law is not amended before year-end." In fact, the IRS computers are already programmed as if the AMT was patched - if its not, they need to reprogram all their computers, which could delay refund processing as people being to file their 2010 income tax returns.

The Estate Tax is coming back to life next year too - anyone want to talk about that? Just like the income taxes were scheduled to rise, the estate tax is scheduled to come back at a \$1million exemption per person next year. Congress keeps talking about increasing the exemption to \$3.5 million, but nothing concrete so far. People want to be able to plan their estates, and this complete uncertainty of what to do next is paralyzing.

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