:ese to the NEWS
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TAX ACT OF 1976

If you want to get a bill through Congress, the way to do it is to attach the word "reform." This label appears to have magic properties to guide a bill successfully through the labn;-inthsof the legislative process.

That bit of semantics is the best explanation for the passage of the Tax Reform Act of 1976. It is a remarkable achievement that it could make so many changes in the tax laws, affecting nearly every taxpayer in the country, without giving any meaningful tax reduction.

Our Federal income, death, and gift tax structure is basically a system of self-assessment. Each taxpayer makes out his own tax return and pays what he believes he owes. The Internal Revenue Service audits only a small fraction of returns.

This system of self-assessment depends on the support of the general public and of the individual taxpayer. This basic premise is threatened by the Tax Reform Act of 1976 because of its immense and unnecessary complexity.

Congress' avowed purpose was to plug so-called loopholes. The result was an act of such interlacing and interacting provisions that the individual is tempted to despair of his ability to calculate what he fairly owes without incurring the cost of legal or accounting help.

The death and gift tax provisions of the Tax R form Act of 1976 have been widely heralded as a reduction in taxes on small estates, family-o aJ,ed farms, and closely-held businesses. Any alleged saving will probably be illusory because the taxpayer will have to pay out

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a, muoh or more in legal aml accounting fees in order to comply···. wi.th the new law.

Of the approximately 37 million wills estimated to be in existence, at lea.st 20 milli.on must now be revised. If the cost is $200 per will, this amounte. to $4 billion -- almost as much as the entire revenue produced by the Federal death and gift tax.

In addition, the int,ricacies involved in estate planning u11cler the new law, its reporting requirements, and the penalties it imposes, malce malpractice such a clear and present risk that higher leg.al fees will be inevitable•.

Instead, o;f sbiply raising the death and gift tax exemption o:r. cutting the tax rates, Congress inve11ted something called the "unified tax credit" and devised a formula :for imposing death taxes that is beyond the ability of the average individual to figure out, or at least oontains such high risks that be would be unwise to try. 'l'he new expanded mar.ital deduction and the new rules for joint tenanoy are quite deceptive and in SoMe- lnstanoes may result in .a h.1.gher total tax paid by husband and wife than under the previous law.

The 1976 'Fax Act raises serious questions about how much of our tax money should come from income and how much from capital, The :ne-w carryover basis ancl generatio -skipping provisions impose an additional tax on capital at a time when increased-capital :formation is tirgeutly :needed to reduce unemployment.

Now is the time **to** start studying how the 1976 C'ax Aot -will affect your income tax., your -will, and your es·tate plan. You may find that the price tag -of 11tax reform" is higher than you care to pay.

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