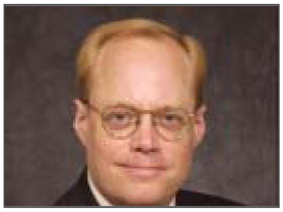

Robert W. Wood
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Fiscal Cliff May Prompt You To Move States


The White Cliffs of Dover (NT) 19-04-2012 (Photo credit: Karen Roe)

Remember Cliffs Notes? Founded by Cliff Hillegass in 1958, they still provide useful guides to all sorts of subjects. But there doesn't seem to be one on the Fiscal Cliff. Of course, there's no shortage of talk about it.

Yet much of it may make you feel like a lemming. We can't do anything about it but wring our hands. Either Washington pols will solve it or they won't. It's really two sets of problems, one about taxes and one about spending cuts, together a double whammy.

Understandably, the tax increases are most discussed. They are also the ones that demonstrably take dollars out of our pockets. Spending cuts do the deed in more oblique ways. And the murkiest impact of all is the overall economic impact of the combination of the two. That's what economists fear will be the impact making everything in the economy slow down like molasses.

The budget cuts are part of the Budget Control Act of 2011. Massive spending cuts were enacted as part of the debt ceiling deal of 2011.

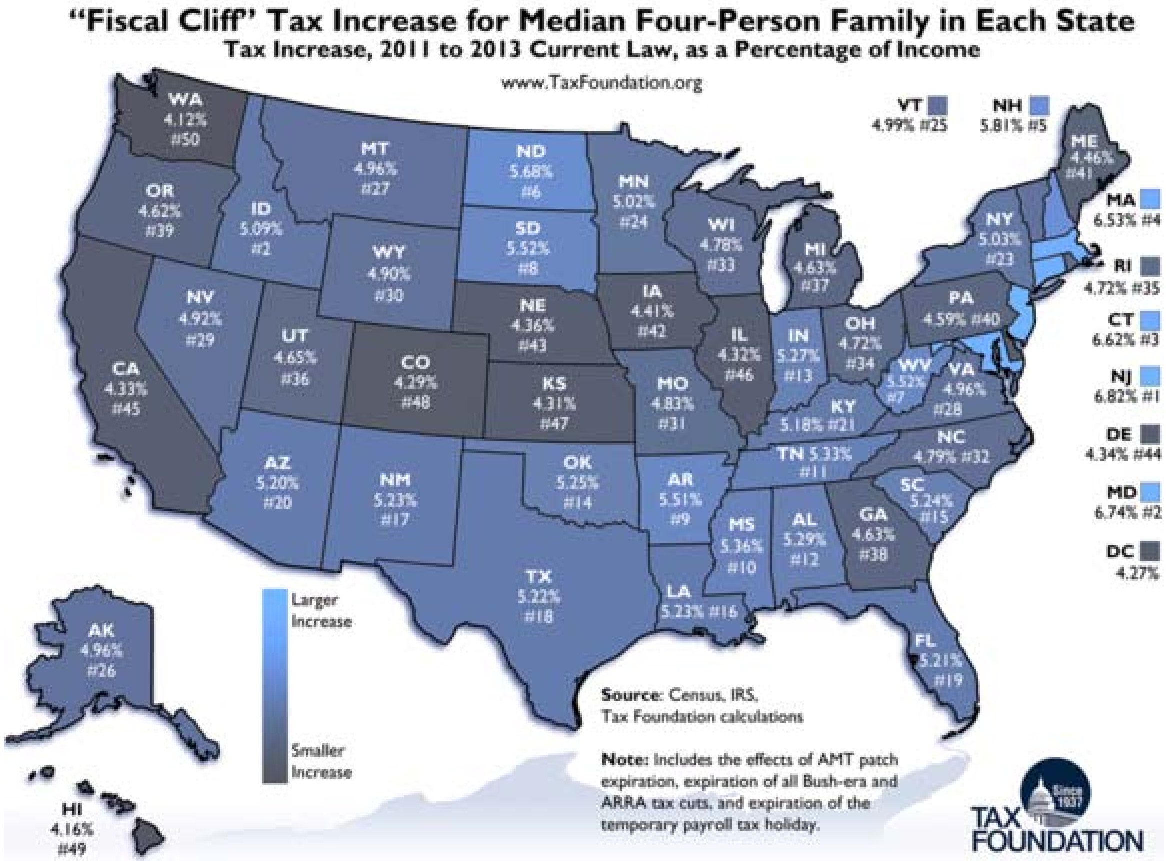
Reports suggest that more than 1,000 government programs including defense and Medicare will face deep and automatic cuts.

But this report called Shock Treatment says the tax hikes are far bigger and have a higher tally than the spending cuts. The numbers seem stratospheric but suggest that for every dollar in spending cuts there are roughly five dollars in tax increases. You may not feel all the tax increases, as many of them are not in the nominal rates.

Let's see, there's the AMT patch, the potential extension of the Bush-era tax rates, the temporary payroll tax cut, and the beginning of taxes related to President Obama's health care law. All in all, it's hard to determine your bottom line. There also seems little you can do other than some selective selling of assets in 2012 rather than 2013 if you think that's the best move and can accomplish it without sacrificing on price.

The Tax Foundation has a handy reference that crunches the numbers to answer this question: How Would the Fiscal Cliff Affect Typical Families in Each State? They used Census and IRS data to estimate income and deductions for the median two-child family in each state. The Tax Foundation then ran the returns through its online tax calculator under the 2011 tax law (2011 was the last year the AMT patch was in effect), and under the likely 2013 tax law (assuming all Bush-era and Obama tax cuts expire, and that the AMT remains unpatched).

In other words, the Tax Foundation did all the hard work to compare apples to apples. The state-by-by-state comparisons reveal some surprises. This is what their map produced.



Robert W. Wood practices law with [Wood LLP](), in San Francisco. The author of more than 30 books, including Taxation of Damage Awards & Settlement Payments (4th Ed. 2009 with 2012 Supplement, [Tax Institute]()), he can be reached at [Wood@WoodLLP.com](). This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.