SOI nuggets

The Spring 2011 edition of IRS' *Statistics of Income* caused a bit more comment than usual. In 2007 some 390,000 Americans reported taxable income of $1 million or more. By 2009 that number had fallen by 39%, to 237,000. Tax collections from this group fell by 42%, even as the average taxes paid as a percentage of income rose. The advent of the recession perhaps played a part in the decline, as did the drop in asset prices, which would have depressed capital gains.

Writing in *The Wall Street Journal*'s "Wealth Report" blog, Robert Frank observed that normally the status of "millionaire" is defined by assets, not income. Recent asset-based surveys have not shown a decline in the number of millionaires. Indeed, one study claimed that the number of people with net worth greater than $1 million jumped by 16% in 2009, and rose again in 2010. Still, that data point is hard to reconcile with the IRS study.

Patterns of giving

The same issue of *Statistics of Income* summarized the gift tax returns filed in 2009, most of which were for 2008 gifts. Some nuggets of information:

• Over 95% of the 234,714 gift tax returns resulted in no payment of gift tax.
• About 75% of the reported gifts went to children or grandchildren.
• Total value of 2008 gifts: $40 billion.
• Total value of annual exclusions claimed in 2008: $9 billion.
• Total value of taxable gifts after charitable and marital deductions and annual exclusions: $24 billion.
• Nearly half the gifts were of cash, another 18% were of stock.
• Family limited partnerships (FLPs) accounted for $1.7 billion of the 2008 gifts, 4.2% of the total.
• Half of assets of FLPs consisted of stocks, followed by real estate interests and farm assets.

Despite the uncertainties that have attended the law of estate and gift taxation, it is evident that the creation and implementation of estate plans remain as important as ever.

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