

# Death and Taxes

As a child, Shannon was always encouraged to work hard, save her earnings, and plan for retirement from a young age. She took this lesson to heart. For over three decades she worked for the same company. She started by packing boxes in a warehouse as a college student, and retired last year as the firm's General Counsel and Chief Legal Officer. She consistently saved much of her salary—a figure which grew with her experience and education over the years. By carefully investing her savings, Shannon has developed a sizable fortune of \$20 million. Shannon sees this fortune as her legacy, and she wishes to bequeath it to her children upon her death. She believes this money will help her children live with more security and comfort once she is gone.

However, Shannon must pay an estate tax on any money she passes on after her death. Shannon and her partner speak with a tax lawyer about a will and testament and are taught about techniques tax lawyers use to minimize their clients' tax burdens. By minimizing their estate tax burden, Shannon and her partner can give a larger portion of their wealth to their children. All of the planning options offered to them are perfectly legal and are used by many people with Shannon's degree of wealth. The lawyer explains that they will pay their fair share of taxes under the law, but will only pay as little as is legally compliant. The lawyer points out that parents often think that nobody deserves their financial assistance more than their own children, whom they love more than any other. Nonetheless, the planning options leave Shannon with a bad taste in her mouth. Talk of shell corporations, tax credits, and loopholes seems dishonest and unfair to her.

Shannon takes this issue up with a close friend, Selene. Selene takes pride in her political activism and desire to improve the world. She is primarily concerned with wealth inequality. While Selene does not necessarily want Shannon to give her fortune away to charity, she does vehemently oppose any form of "tax dodging." Selene points out the government programs which rely on such tax funding to operate, including programs like Medicare and Medicaid, food stamps, schools, and food subsidies. Shannon knows that she herself has benefited from many of these programs, and thinks we should all happily contribute to these programs for the benefit of other people. But, Shannon also thinks that it might be giant corporations and mega-billionaires who are primarily responsible for an underfunded social system, not individuals who worked hard and saved diligently.

Shannon is unsure of what to do. With the tax planning strategies, she could preserve several million more dollars for her children. On the other hand, Shannon wants to perform her civic duties, and she worries that using tax loopholes does not honestly fulfill these duties. Furthermore, Selene raised concerning points about Shannon's position of privilege in a harmful system of wealth inequality. Though Shannon intends only on helping her children, she wonders what the social cost of her actions may be.

## DISCUSSION QUESTIONS

1. Is minimizing tax payments using legal methods morally permissible? Why or why not?
2. What obligations, if any, does a person of significant means have with regard to wealth redistribution? How do these differ from obligations toward charitable giving?
3. To what extent are individuals obligated to recognize and change substantial inequities that they themselves benefit from?

