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TAXES 12/07/20

Zappos' Tony Hsieh Death With No Will Adds Fees, Public Filing, Taxes

Worth an estimated \$700 million, former Zappos CEO Tony Hsieh reportedly died without a will. Reports say Hsieh's family requested a court to name family members as administrators of his estate. Without a will or trust, who gets your assets depends on state law, with spouse, children, parents, and siblings being the usual suspects. But who gets what and how it is divided depends, and most people would rather decide themselves. Besides, the sheer costs, publicity and delays of probate or intestacy can be huge, even for normal sized estates. When you add the kind of zeros that go with a mega-successful person, the failures can be much more palpable. Many people think that means extra estate taxes, but not necessarily. Unexpected celebrity deaths can make the rest of us think about what documents we need to have in place.

Another recent example was actor Chadwick Boseman, who passed away earlier this year. Prince also died without a will, but there have been many others. Some died with a will but no trust, or with various other glitches or gaffes of one sort or another. Like Prince, Amy Winehouse didn't have a will.

That meant Amy Winehouse's parents inherited her estate, while her ex-husband got nothing. Phillip Seymour Hoffman had a will, but he had three children with Marianne O'Donnell, and the couple never married. Plus, he mentioned only one child in his will, not all three. Heath Ledger had a will, but it was five years old. It gave his parents and sisters his \$20 million estate, failing to mention Michelle Williams *or* their child. And after James Gandolfini died at age 51, reports said [his will](#) clumsily sent \$30 million of his \$70 million to the IRS.



Tax advisers and estate planners try to avoid these problems. A will is essential, but a will is public. Should the public know about all your assets, about who you benefitted and who you disinherited? Probate is public, expensive, time consuming and unnecessary. For very little money, a revocable trust disposes of your assets outside of court. You can hire a professional to draft it or you can even do it yourself. The revocable (meaning changeable at any time) trust describes who will receive all your property on your death. Then, you pair that trust documents with a simple pour-over will.

The will just gives everything to the revocable trust. That way, if you own anything at your death that you forgot to put into your revocable trust, you have a will that, on death, pours all your assets into your trust. The whole thing is confidential too.

Advisers generally say you should update wills and revocable trusts for big events like births, marriage, divorce, etc. With no will, we do not know what the decedent wanted, and that is where state law usually comes in. Curiously, marriage saves estate taxes, but some unmarried people still give their assets to a non-spouse loved one. For example, Seymour Hoffman gave his \$35 million estate to Marianne O'Donnell, but they were never married, triggering more estate tax than if they had been married. Of course, not having a will is even worse and can foment litigation. After dying without a will, singer John Denver's family spent six years in court. But a will *still* has to go through the courts.

There is a federal gift and estate tax, with a lifetime exemption of \$11.58 million (about \$23 million per married couple). But a key feature is that you can give an *unlimited* amount to your spouse tax-free during life or on death. With an estate tax rate of 40%, taxes can eat up a lot. Marianne O'Donnell ended up with Seymour Hoffman's *entire* estate, but since they were unmarried, taxes devoured approximately \$15 million. If they had been married, it would be tax-free. Any legal marriage saves gift and estate taxes. Marriage isn't *only* about taxes, and estate planning isn't either.

James Gandolfini was criticized by some tax planners for benefiting his sister, which meant paying estate taxes. However, he *wanted* his sister to receive a large share, and taxes may have been inevitable. Your wishes are more important than tax efficiency.

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