



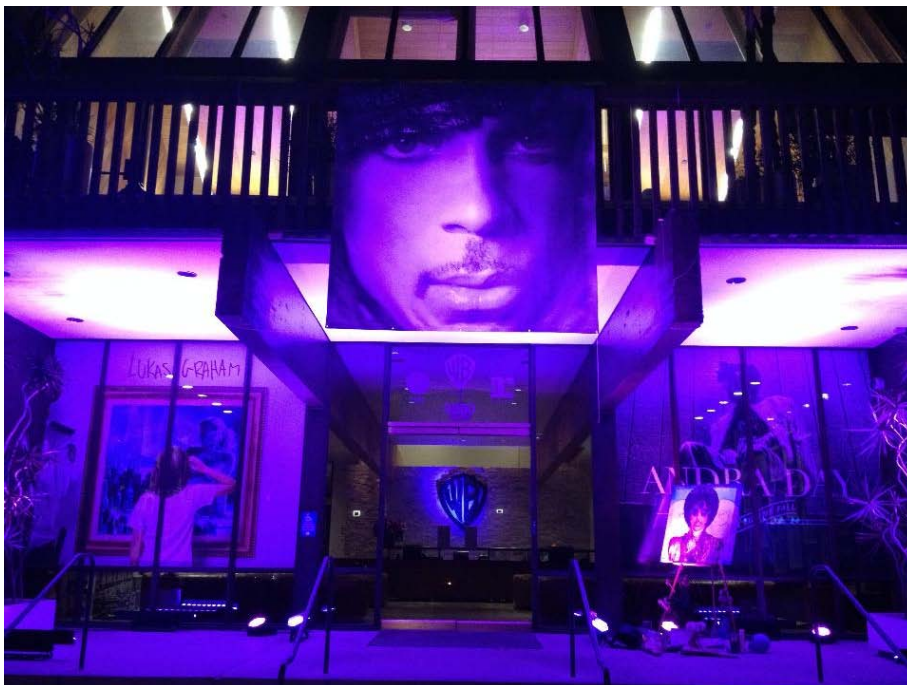
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Prince Died Without A Will, But There Will Be Taxes

Prince's death was a shock, and now there is another [as court documents go on file](#). [Probate documents](#) filed in court say that [Prince died without a will](#). His sister, Tyka Nelson, age 55, confirmed that [she does not know of the existence of a will](#). Although Prince did not have a spouse or children, the court filings list five half-siblings: half-brothers John Nelson, Alfred Jackson and Omar Baker, and his half-sisters Norrine and Sharon Nelson. Minnesota law provides that half-siblings are treated the same as full siblings. Prince's net worth is not yet clear, but is surely in the hundreds of millions of dollars. And that means the IRS will collect handsomely, perhaps 40%.



Prince Tribute at the Warner Music Building in Burbank, CA on April 26, 2016. (Photo credit: David Edwards/MediaPunch/IPX)

Unexpected celebrity deaths can make the rest of us think about what documents we need to have in place. The tax and financial hassle 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 entertainer, the failures can seem much more palpable. Prince is the latest example, echoing the passing of [Philip Seymour Hoffman](#), [James Gandolfini](#), Amy Winehouse, Heath Ledger, and others.

All of these celebrity estates had issues or gaffes of one sort or another. For example, Seymour Hoffman had three children with Marianne O'Donnell, but the couple never married. Plus, he mentioned only one child in his will, not all three. And although it is tough to compare any of these sad cases, like Prince, Amy Winehouse didn't even have a will. That means we do not know what either one of them would have wanted to have happen to their assets. Amy Winehouse's parents inherited her estate, while her ex-husband got nothing.

We know little of what Prince wanted to have happen to his quite substantial estate. Of course, a will would not necessarily solve everything. 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 51, reports said [his will](#) clumsily sent \$30 million of his \$70 million to the IRS. The stories should make tax advisers and estate planners cringe. And although it isn't an easy subject for anyone to discuss, a few key points deserve mention.

A will would have been clear as to what Prince wanted, but even a will is public. There is actually no reason the public has to know about who you benefit and who you may disinherit. Incredibly, Seymour Hoffman, Ledger and Gandolfini all ended up with wills in probate. Normal planning would avoid that. After all, probate is public, expensive, time consuming and unnecessary. Of course, it is worse not to have a will.

Not having one 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. For very little money, a revocable trust disposes of your assets outside court. You still do a simple pour-over will. It gives everything to the revocable trust. It is simple and confidential. We do not know if Prince ever had a will, and it is possible that one may surface. That sometimes happens particularly when there are changes in family circumstance over the years.

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 Prince wanted, and that is where state law usually comes in. Prince did not

have a spouse, 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. Curiously, marriage saves taxes, and this is another reason there will be a big tax hit on Prince's death.

You can give an *unlimited* amount to your spouse tax-free during life or on death. Prince's estate may face a 40% estate tax, but it is interesting to contemplate what would have happened had he been married and given his estate to his spouse. The answer? No federal estate tax, at least not until the death of his spouse. In contrast, 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, one of many reasons the legitimacy of gay marriage is so important. 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.

Some may criticize Prince for not planning ahead. But from a tax viewpoint, it may not matter. The current federal estate tax law says he can (by will or intestacy) give \$5.45 million tax free to anyone. Add to that gifts to qualified charities, such as the Jehovah's Witnesses. But beyond that, Prince's estate will have to pay. The current federal estate tax rate is 40%. For every million dollars going to a half-sibling, for example, the IRS will get \$400,000. That would not have been helped by a will.

[Bernie and Hillary are promoting a 'sensible' estate tax](#) that would hike the rate to 45% and cut the exemption from \$5.45 million down to \$3.5 million. Even if it passes, it won't apply to Prince. As the facts and claimants come forward, one big question will be just how big Prince's estate may be. And the IRS is sure to collect handsomely.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.