



# Family Legacy Protection Planner

## HOW WILL THE 2015 SUPREME COURT DECISIONS AFFECT YOU?

While approximately 10,000 cases are appealed to the U.S. Supreme Court each year, only 75 to 80 make it to oral argument. Of those 75 to 80 cases, there are usually only a few that grab the media's attention. This newsletter highlights three landmark decisions handed down in 2015 – *Comptroller v. Wynne*, *King v. Burrell*, and *Obergefell v. Hodges* – that could affect how you are taxed, pay for healthcare, and plan your estate.

### ***Comptroller v. Wynne* – A State Can't Double Tax Income Earned Outside of the State**

**Legal Issue:** Does Maryland's state income tax scheme violate the U.S. Constitution by "double taxing" a resident's income earned from economic activity in another state that also taxes the same income?

**Decision, 5 – 4:** In a taxpayer friendly decision, the Supreme Court ruled that Maryland's "double taxation" scheme violates the dormant Commerce Clause of the Constitution.

This case involved a Maryland couple, the Wynnes, who owned stock in a Maryland S corporation that did business in 39 states. Since income generated by an S corporation is passed through to its shareholders, the Wynnes paid income taxes in Maryland as well as their pro-rata share of taxes on the income the corporation earned in the other states.

In Maryland, residents are subject to a state income tax as well as a "local tax" based on the city or county in which they live. Prior to the *Wynne* case, the state allowed residents to take a credit against the Maryland state tax to offset a similar tax paid to another state, but it did not allow a credit to be taken against the local tax. Thus, the income of a Maryland resident earned outside of the state was "double-taxed" by being subject to (1) out-of-state taxes, as well as (2) the local city or county tax. The U.S. Supreme Court struck down this "double taxation" scheme, holding that because the dormant Commerce Clause gives Congress power over interstate commerce, Maryland could not hinder interstate commerce by offering a credit against state income taxes but not against local income taxes.

As a result of the *Wynne* decision, Maryland owes the Wynnes and other similarly-situated taxpayers refunds and interest totaling about \$200 million. In addition, in 2015 and future years an estimated 55,000 Maryland residents will be able to claim deductions against both state and local income taxes to compensate for income taxes they pay out of state.

**Planning Tip:** While the *Wynne* decision involved a Maryland double-taxation scheme, the ruling will potentially affect hundreds of other cities, counties and states, such as Indiana, New York, and Pennsylvania. If you pay income taxes in your home state as well as a state that may be affected by the *Wynne* decision, you need to seek advice regarding filing protective claims (such as amended returns or requests for refunds) for tax years in which the statute of limitations has not run.

### **King v. Burrell – Obamacare Subsidies Are Available to All**

Legal Issue: Can the IRS extend tax-credit subsidies to healthcare coverage purchased through exchanges established by the federal government under provisions of the Patient Protection and Affordable Care Act (the “Affordable Care Act,” or “ACA,” commonly referred to as “Obamacare”)?

Decision, 6 – 3: Yes, Obamacare subsidies are available to individuals who obtain their healthcare coverage through a state or federal exchange.

Buried in the 2,700-page Affordable Care Act is a provision which states that tax-credit subsidies are available to individuals who sign up for healthcare coverage “through an exchange established by the state.” After the ACA was passed, 34 states opted not to establish their own healthcare exchanges, leaving their residents to use the federally-established healthcare exchange to obtain their coverage. The *King* case challenged the validity of federal subsidies given to these residents since the ACA appeared to limit subsidies only to individuals who relied on a state-established exchange. Writing for the majority, Chief Justice John Roberts stated, “We doubt that is what Congress meant to do.” Thus, the Supreme Court upheld the validity of subsidies given to residents of the 34 states that use the federal healthcare exchange.

**Planning Tip:** While there are still several cases challenging parts of the ACA winding their way through the U.S. court system, the *King* case was the linchpin to upholding the law. Nonetheless, with not one Republican voting for Obamacare and the 2016 presidential election fast approaching, you need to be aware that the Obamacare debate will not be disappearing any time soon but will continue to be hashed out in the political arena.

### **Obergefell v. Hodges – Same Sex Marriage is Legal Everywhere in the United States**

Legal Issue: Does the Fourteenth Amendment of the U.S. Constitution require a state to license same sex marriages and recognize same sex marriages that are legally licensed and performed in another state?

Decision, 5 – 4: Yes, same sex marriages are legal and must be recognized everywhere in the United States.

The *Obergefell* case involved the consolidation of four cases that challenged state-banned recognition of same sex marriages in Kentucky, Michigan, Ohio and Tennessee. The Supreme Court had three choices to make with regard to same sex marriage: (1) overturn state bans; (2) uphold state bans; or (3) uphold state bans but require states to recognize marriages legally performed in other states. Relying on the Due Process and Equal Protection Clauses of the Fourteenth Amendment, the Court held that marriage is a fundamental liberty and denying the right of same sex couples to wed would deny them equal protection under the law.

**Planning Tip:** Aside from kids, career directions, religious beliefs and where to live, same sex couples who are considering marriage need to determine if they will commit how to handle money, debt, and related matters into writing with a prenuptial agreement. Same sex couples who are already married need to determine if their prenuptial agreement should be fine-tuned and if their estate planning documents need to be amended in view of the *Obergefell* decision.

### **The Bottom Line on the Wynne, King and Obergefell Decisions**

Although the latest session of the Supreme Court has come to an end, how the *Wynne*, *King* and *Obergefell* decisions will affect your current and future tax planning, financial planning, premarital and postmarital planning and estate planning has just begun. We are available to answer your questions about these landmark cases and how they will affect you and your family.

## ENSURE YOUR FAMILY IS PROTECTED

If you want to ensure that your family is protected, please schedule your complimentary Estate Planning Strategy Call with San Francisco's premier estate planning attorney, Matthew J. Tuller.

[LEARN MORE](#)

BROUGHT TO YOU BY:

## LAW OFFICE OF MATTHEW J. TULLER

275 BATTERY STREET  
13TH FLOOR  
SAN FRANCISCO, CA 94111

**With an emphasis on developing and maintaining relationships with our clients and allied professionals, our firm collaboratively provides comprehensive estate planning and administration solutions to every client. Our firm provides the full spectrum of estate planning solutions. This includes creating and implementing a comprehensive estate plan, maintaining that plan through life, and administering the plan in the most effective and efficient manner.**



This information is educational information only and not legal advice.

©2015 All Rights Reserved