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Resolute Connections

One might think that the tax code would encourage marriage, rather than penalize it, and the so called ‘marriage penalty’ has come down since the 2017 tax changes. *Penalizing Marriage* reviews the remnants of this ludicrous feature of the U.S. tax code – note the penalty will return in full force for most dual income married couples in 2025 if the 2017 tax changes are allowed to expire.

Speaking of which, Congress is getting ready to revise the U.S. tax code once again, and you can bet that the final version won’t simplify the tax code, as explained in *Tax Code Anomalies*. Finally, with the pandemic refusing to be vanquished, we thought some good news from the health care field would be appreciated. *Ultra-Modern Medicine* reviews how the medical world is undergoing an incredible revolution right now.

If you have any questions about anything we have covered in the articles, or a specific situation please feel free to give us a call, or visit our website, www.ResoluteFinancial.com.

Penalizing Marriage

Before 2017, taxpayers had to live with something known as “the marriage penalty.” In a perfect world, when two people file a joint tax return, they should move into higher tax brackets at twice the income of individual taxpayers—right? But for most of the years that the tax code has existed, the tax bracket thresholds for joint filers were considerably much less than twice the bracket thresholds for single ones.

The marriage penalty has been largely eliminated for most taxpayers. Today, single filers move into the 24% tax bracket at $85,526 of income, (since the tax writers don't seem to be big fans of even numbers,) and joint filers enter the 24% bracket at exactly twice that amount - $171,051. Single filers enter the 35% bracket at $207,351 of income, while joint filers get there when their income reaches $414,701.

But here's where it gets interesting. Single filers enter the (current) top 37% bracket once their income reaches $518,401, while joint filers start paying at a 37% rate when their reported income is above $622,051. For those who are somewhat math-challenged, the latter is much less than twice the former.

There are other residues of the marriage penalty still lurking in the tax code. Single people who receive Social Security retirement benefits pay taxes on those monthly checks when their income exceeds $25,000. For joint filers, the threshold isn't $50,000; instead, the taxes start when the couple reaches $32,000 in income. And single filers above $200,000 in income pay a 0.9% wage surtax and a 3.8% investment income tax. The joint filer threshold to be hit with these surtaxes is not $400,000 – it is $250,000. If singles who each earn $125,000 to $200,000 decide to marry, they'll get hit with these extra taxes that they wouldn't have had to pay before.

One might think that the tax code would encourage marriage, rather than penalize it. Instead, since 2017, the various features of our tax system penalize married couples a bit less than they did before—which the less cynical among us should probably count as progress.

Tax Code Anomalies

Congress is getting ready to revise the U.S. tax code once again, and you can bet that the final version won't be subtracting any pages from a document that now contains nearly 10,000 selections and two million words. Over the past 10 years alone, the tax code has been amended or revised over 4,000 times, with provisions covering pet moving expenses for people who lost their job, a deduction for clarinet lessons if it helps correct a child's overbite, and a special carve-out for repairs for whaling boats—even though hunting whales is currently banned by the United States government.

And some of the provisions in the tax code are directly contradictory. Consider, for example, the limitations on high income taxpayers who might want to make Roth IRA contributions—that is, contributions to a tax-deferred account where you don't get a deduction for the contribution, but all monies taken out of the Roth in retirement are tax-free. Under current law, joint filers with modified adjusted gross income (taxable income plus deductions for things like student loan interest and self-employment taxes) above $208,000 (singles above $140,000) are not allowed to make contributions to a Roth account.

But the tax code says that people at any income level CAN make contributions to a traditional IRA, up to $6,000 a year currently ($7,000 for people aged 50 and over) where the contribution amount is not counted as taxable income.

Where's the contradiction? The tax code specifies that people at any income level are eligible to make Roth conversions—that is, move money from their IRA into a Roth IRA, and count the money moved as income. So it's possible, and relatively easy, for higher income individuals to make, say, contributions of $500 a month to their traditional IRA, and then their tax planner or financial advisor can move those traditional IRA contributions to a Roth account—and the taxation would be exactly the same as if the taxpayer had contributed to a Roth in the first place. (The strategy is known as a "back-door" contribution, which sounds vaguely sketchy, but is perfectly legal.)

Every year, planning professionals and tax experts pore over the new tax provisions for contradictions and loopholes. This next tax bill, whenever it comes, will be no exception.

Ultra-Modern Medicine

The medical world is undergoing an incredible revolution right now, even though many of its impacts will not be felt for another 5-10 years. The Gizmodo website is now offering a look at how the pain relievers, birth control pills, antibiotics and bandages that currently sit in our medicine cabinet will be transformed, within a decade, into a very different assortment of revolutionary therapeutics.

By the 2030s, it says, doctors will be prescribing drugs based on our genetic makeup and on a quick sequencing of the actual microbial diseases that have been identified in our bloodstream. The pills will be uniquely designed to attack exactly the pathogens causing the infection, rather than the antibiotics of today, which generally suppress or destroy all the bacteria in our body, whether they are harmful or invasive, or not. This breakthrough will be exceptionally effective against the pathogens that antibiotics won't touch today - the viruses that cause diseases ranging from the common cold to COVID.

Some of the pills of the 2030s will contained engineered bacteria that would function as programmable factories, producing the required drug therapies on demand directly inside our bodies. Once we have received the required dosage days, weeks or months later, we will drink a special solution containing a harmless chemical that would flush these drug-producing microbes from our bodies.

In the late 2030s, these living organisms could be replaced by nanoscale robots that would monitor our microbiome and bloodstream for invasive pathogens, and would either signal our smart device telling us to head to the nearest hospital, or simply take action to destroy the invader directly.

Other scientists propose that mental health "pills" will contain cannabinoid compounds, psilocybin and other psychedelics that are not typically found in our bathroom cabinets today. People with chronic depression, post-traumatic stress disorder and even schizophrenia might be treated by psychedelic interventions that are being investigated in clinical trials around the world.

Finally, the humble band-aid is undergoing some potentially revolutionary changes. Recent research at the National University of Singapore explores bandages that help blood to clot without sticking to the wound. Other projects are looking at ways to deliver drugs to the wound through these super-bandages, bandages that pull skin together for rapid healing, and electronic bandages that would speed up the healing process even further. Some of these new bandages could be comprised of skin cells grown in the lab, which would trigger healing of traumatic injuries in days, without scarring.

The article notes that the contents of our medicine cabinet have not changed much in the last 30 years. That will not be the case going forward.

Source:
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For more information on these topics or for a free consultation, contact Resolute Financial, LLC at (978) 463-8771 ext. 1003.