

ES402 ESTATE TAX SUMMARY

ESTATE TAX CALCULATION

+ Gross Estate	<i>value of all your property including: cash, bank accounts, brokerage accounts, retirement accounts, IRA's, automobiles, boats, furniture, jewelry, real estate, businesses, certain life insurance proceeds, income in respect of a decedent (wages, etc. paid after death)</i>
- Funeral & Administrative Expenses	<i>funeral costs-reasonable expenses for interment, burial, grave site and transportation of the body to the burial site administrative expenses-court costs and attorney/executor fees attributable to settling property subject to claims</i>
- Debts & Taxes	<i>medical expenses related to illness before death (if not claimed on personal tax return), claims against estate including interest accrued until the date of death (all debts) and taxes on federal return for decedent and property taxes accrued through death</i>
- Losses	<i>casualty and theft loss not compensated by insurance are deductible for the estate (the loss must have occurred after time of death but before the estate was closed)</i>
= Adjusted Gross Estate	
- Marital Deduction	<i>the law provides for an unlimited marital deduction on qualifying property</i>
- Charitable Deduction	<i>the law provides for an unlimited amount of charitable contributions to be deducted from the estate</i>
- State Death Tax Deduction	<i>state death taxes include both inheritance taxes (paid by the person receiving the property) and estate taxes (paid by the decedent's estate similar to federal estate tax)</i>
= Taxable Estate	
+ Adjusted Taxable Gifts (post-1976)	<i>the inclusion of a unified credit for gift and estate taxes requires adding back adjusted taxable gifts made since 1976 (the year the law changed)</i>
= Tentative Tax Base	
x Tax Rate	<i>the current progressive estate tax rates range from 18% of estates less than \$10,000 to 40% of estates valued at \$1,000,000 or more</i>
= Tentative Tax	
- Gift Taxes Payable on Post-1976 Gifts	<i>the inclusion of a unified credit for gift and estate taxes allows for the amount of gift tax already paid to be subtracted so the gifts (included above) are not double taxed</i>
= Estate Tax Payable Before Credits	
- Tax Credits (including Unified Credit)	<i>the Unified Credit is the most important credit and will result be \$2,141,800 if none of the lifetime exclusion has been used for gifts made prior to death</i>
= Net Federal Estate Tax Payable	