

Estate income and Form 1041

- ✓ **Income at death:** received before death → **Form 1040**; earned but received after (IRD) → **Form 1041** if the estate receives it, else the recipient's return
- ✓ **Form 1041 required** if the estate has:
 - Gross income $\geq$ \$600
 - A nonresident-alien beneficiary
 - A Qualified Opportunity Fund interest
- ✓ **Fiduciary accounting income:**
 - **Includes** interest, dividends, business and rental income
 - **Excludes** capital gains, §1245/§1250 recapture, income in respect of a decedent

Gross estate and Form 706

- ✓ **Gross estate** includes **50%** of spousal joint-tenancy property, plus the surviving spouse's dower or curtesy interest
- ✓ **Alternate valuation:** value assets **6 months** after death; allowed **only if it lowers both** the gross estate and the estate + GST tax
- ✓ **Form 706 (estate + GST):** required if gross estate + adjusted gifts > **\$13,990,000 (2025)**; due **9 months** after death (**6-month** extension); federal estate tax rate up to **40%**
- ✓ **DSUE / portability:** unused exemption (up to **\$13,990,000**) transfers to the surviving spouse; elect on a timely **Form 706** (9 months + extension), or within **5 years** of death (Rev. Proc. 2022-32) if no return was otherwise required
- ✓ **Unified credit:** **\$5,541,800**, the tax on the lifetime gift + estate exclusion of **\$13,990,000 per person** (**\$27,980,000 per couple**), 2025

Gift tax and life insurance

- ✓ **Exempt:** gifts to a U.S.-citizen spouse, charities and political organizations, and **direct** tuition and medical payments
- ✓ **Present interest** qualifies for the annual exclusion; **future interest** does not (still reported on Form 709)
- ✓ **Gift-splitting** doubles the exclusion; both spouses consent on **Form 709** (no joint return needed). **Unlimited marital deduction** for a U.S.-citizen spouse
- ✓ **Gift basis:**
 - **Gain:** donee uses the **donor's basis**
 - **Loss:** donee uses **FMV at the date of the gift** if lower than the donor's basis
 - Neither if sold between the two
- ✓ **GST tax:** transfers to recipients $\geq$ 2 generations younger
- ✓ **Life insurance (§101(a)):** death benefits **not** taxable income; the interest portion of installment payouts **is** taxable

Dependents

- ✓ **Two types:** qualifying **child** or qualifying **relative**
- ✓ **Five tests** (citizenship and joint return apply to all; the other three differ by type):
 - Citizenship
 - Joint return
 - Support
 - Relationship/household
 - Gross income
- ✓ **Qualifying child:** under **19** (under **24** if a full-time student) and younger than the taxpayer, or any age if permanently disabled; lived with the taxpayer **>½ year**; didn't provide **>½** of own support. No gross-income limit
- ✓ **Qualifying relative:** gross income **<\$5,200 (2025)**; taxpayer provided **>½** of support
- ✓ **Kiddie tax:** child's unearned income over **\$2,700 (2025)** taxed at the **parent's rate**; applies under 18 (or 18, or a student 19–23, whose earned income $\leq$ ½ of support). **Form 8615** (child files) / **Form 8814** (on the parent's return)

Who must file and foreign assets

- ✓ **Must file if:**
 - Gross income $\geq$ filing threshold (MFS: **\$5**)
 - Net SE $\geq$ \$400
 - Got advance PTC
 - Owe SS/Medicare on unreported tips
 - Owe **0.9%** additional Medicare or **3.8%** net investment income tax
- ✓ **FBAR** if foreign accounts > \$10,000
- ✓ **Form 8938** if specified foreign assets > **\$50,000** at year-end (\$75,000 any time; thresholds double for MFJ)