Achievable

IRS SEE PART 1 DUMP SHEET

Estates, gifts and dependents

Estate income and Form 1041

- **Income at death:** received before death → **Form 1040**; earned but received after → **Form 1041** (estate)
- **Form 1041 required** if the estate has:
  - Gross income **≥$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:** combined lifetime gift + estate exemption = **$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** between spouses
- **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 ≥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 common tests:**
  - Citizenship
  - Joint return
  - Support
  - Relationship/household
  - Gross income
- **Qualifying child:** under **19** (under **24** if a full-time student; 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 19 (24 if a student). **Form 8615** (child files) / **Form 8814** (on the parent's return)

Who must file and foreign assets

- **Must file** if:
  - Income > standard deduction
  - Net SE **≥$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)