

July Newsletter from the Ukoha-Ajike Law Group!

[View this email in your browser](#)



July Newsletter!

by Endy Ukoha-Ajike



I hope that you all had a wonderful 4th of July! One of the very first questions I get when I meet with clients to plan their estate or after someone has passed away is what taxes have to be paid?

There are several taxes and the requirement to file tax returns when a person passes away. It could be personal income tax of the of the decedent, fiduciary income tax of the estate or trust, capital gains tax, estate tax, or property tax. We will briefly explore these and some of the circumstances under which it would be necessary to file any or a combination of these returns. *See below for more info.*

Please join us on July 28th, 2016 at Lungomare Restaurant on the Jack London Square waterfront for wine/cheese and our monthly seminar. This month's topic is *Mom Passed Away: What Taxes Have To Be Paid?* with special guest Ann Opara. [RSVP](#) today. Hope to see you all.

~Endy

Upcoming Events



**- July Seminar-
Mom Passed Away:
What Taxes have to be
Paid?**

Join us for our next free seminar with **Special Guest: Ann Opara, CPA.**

Wine and cheese included! Space is Limited.

Date: July 28th, 2016

Time: 6pm-8pm

Presentation @ 6:30pm

Doors Open @ 6pm

Location: Lungomare

1 Broadway

Oakland, CA 94607

[RSVP Here](#)

Preliminary Requirements

IRS Form 56: The Fiduciary who is the personal representative/executor/administrator, or trustee should complete IRS Form 56 to notify the IRS of their fiduciary relationship with the deceased person. This authorizes the fiduciary to deal with the IRS on tax matters related to the decedent.

Tax Identification No: Additionally the trustee or administrator would have to obtain a tax identification number for the trust or estate. This becomes the Social Security Number for the estate or trust which will be used when returns are filed.

Types of Tax to be Paid

1. Personal Income Tax of Decedent:

When someone passes away, the personal representative/executor/administrator, or trustee is required to file the personal income tax returns for the decedent on Form 1040 (Federal), and Form 540 (State), for the period starting from the date of death through to the end of the year that the person died. For example: if mom died on June 30, 2016, and her estate is going through probate because she did not have a Revocable Living Trust, her executor is required to file her income tax returns which will be calculated for that year from January 1, 2016 – June 30, 2016 being her date of death. If she had a trustee will be required to do the same. Of course if decedent did not file taxes when alive due to their income level there will be no need to file a Form 1040 at their death.

2. Fiduciary Income Tax:

The Fiduciary may need to file a fiduciary income tax return for the estate or trust if the estate or trust earns any income during administration of the estate or trust. This usually happens when any asset/s of the estate or

Contribute to the Conversation!

Our goal is to make the seminar as informative and interactive as possible so please submit any questions that you have on this month's topic and Endy and Ann will address them at the seminar.

[Submit Your Questions Here](#)

Important Notices



Tax Extension Dates are Fast Approaching

- September 15, 2016 is tax day for corporations and October 15, 2016 for personal filers who are on extension from April 15, 2016.

trust earns income during that period, including interest income for estate account in the bank. Fiduciary income tax returns cover the period from the date of death to the close of administration and every full year in between that. In the example above, fiduciary income tax return on Form 1041 (Federal) and Form 541 (State) will be filed for the period from June 30, 2016 – December 2016 and every year thereafter until administration is completed.

3. Capital Gains Tax:

The Trust or Estate may also have to pay capital gains tax if it sells property or any asset that have appreciated in value between the date of death and the time of sale. An example of this may be if an estate or trust owns a rental property in Oakland that is valued at \$500,000 on the date of death on June 30, 2016 which continues generating rental income (for which the estate pays Fiduciary income taxes under No. 2 above). It then sells that property in 2020 for \$650,000. It will pay capital gains tax on the appreciation of \$150,000 minus other expenses of sale, etc.

4. Estate Tax:

Estate taxes are levied on the net value of an estate or trust if that value is over a certain amount. That amount changes yearly. For 2016 it is \$5.45M. So each individual can exempt up to that amount from taxation but their estate will be taxed at 40% at death for any amount over \$5.45M. The IRS includes ALL assets of a deceased person in determining estate taxes, including life insurance policies, retirement accounts and any other designated beneficiary accounts.

5. Property Tax:

Any change in ownership of real property in California results in a reassessment of that property based on its current value unless there is an exemption that applies to prevent it. The most popular ones are parent to child, spouse to spouse, and grandparent to grandchild transfers. These exemptions if claimed enable the transferee to retain the property tax rate paid by the decedent.

Endy's Planning Tip:

The contents of this newsletter are not intended as legal advice. Instead consult with a Tax and Estate Planning attorney during administration of an estate or trust to go over the potential tax issues that are usually a minefield for unwary which creates problems for beneficiaries years after administration is completed.

Share the news!



About Endy:

Endy is an Oakland (Jack London Square) based Tax & Estate Planning Attorney with over 13 years of experience. He has helped countless families throughout California develop individualized estate plans and has administered many estates over that period.

Copyright © 2016 Ukoha-Ajike Law Group, P.C. All rights reserved.

CONTACT US:

Phone: 510.834.9944

Website: www.ukohalaw.com

Mailing Address:

70 Washington St, Suite 303

@ Jack London Square

Oakland, CA 94607

[unsubscribe from this list](#) [update subscription preferences](#)



This email was sent to <<Email Address>>

[why did I get this?](#) [unsubscribe from this list](#) [update subscription preferences](#)

Ukoha-Law Group, P.C. · Jack London Square · 70 Washington St, Suite 303 · Oakland, CA 94607 · USA

