

# Table of Contents

<b>Final 1040.....</b>	<b>1</b>
Responsibility for Filing Return .....	1
Transferee Liability .....	2
Signing the Return.....	3
Married Decedents .....	3
Qualifying Widows and Widowers .....	5
Personal Exemption .....	5
Estimated Tax .....	6
Refunds .....	7
Decedent's Income.....	8
Matching Issues.....	9
Standard Deduction .....	12
Title to Assets .....	12
Wages .....	20
Interest .....	22
Dividends.....	27
Capital Gains and Losses .....	28
Tax Refunds .....	30
Schedule C Business Income .....	30
Alimony.....	31
Farm Income .....	31
Rental Real Estate.....	32
Partnership Interests.....	33
S Corporation Stock.....	38
Trust Income.....	40
Medical Savings Accounts .....	43
Health Savings Account.....	44
Coverdell Education Savings Account .....	44
Section 529 Qualified Tuition Programs.....	45
Accelerated Death Benefits .....	46
Social Security Death Benefit.....	46
Stock Options .....	46
Installment Sales .....	48
Death from Terrorist, Military Actions or as an Astronaut .....	49
Filing, Accounting and Income Review Questions .....	51
Filing, Accounting and Income Review Answers.....	54
Decedent's Deductions.....	58
Date of Payment .....	58
Deductions in Respect of a Decedent.....	58
Medical Expenses.....	59
Net Operating Losses and Carryover Deductions .....	63

Alimony.....	63
IRA Contributions.....	64
Moving Expenses .....	64
Annuity Contracts .....	65
Mortgage Interest and Costs.....	66
1040 Tax Credits .....	66
Earned Income Tax Credit .....	66
Tax Credit Carryovers.....	66
Wrapping Up .....	67
Request for Prompt Assessment of Tax.....	67
Request for Discharge of Personal Liability.....	70
Comprehensive Example – Ima Goner’s Final Form 1040.....	72
Completed Example – Final 1040.....	75
Deductions, Credits and Wrapping Up Review Questions .....	85
Deductions, Credits and Wrapping Up Review Answers.....	88
<b>Estate Form 1041.....</b>	<b>91</b>
Probate.....	92
Probate Process .....	93
Administrative Issues.....	93
Taxpayer Identification Number.....	94
Filing Requirements.....	97
Form 56 .....	97
Form 1041 .....	100
Due Date .....	100
Amended Form 1041 .....	101
E-filing .....	101
Accounting Period .....	102
Accounting Method.....	105
Estimated Tax Payments.....	105
Allocation of Estimated Payments to Beneficiaries.....	107
Election to Treat Trust as Part of Estate .....	108
Extensions.....	112
Form 7004 .....	112
Form 1127 .....	114
Other Forms That an Estate May Be Required to File .....	114
Estate Tax .....	115
Gift Tax Returns.....	115
Estate Income .....	119
Notify Issuers of Information Returns .....	120
Jointly Owned Property.....	120
Fiduciary Accounting Income .....	122
Income Distribution Deduction .....	122
Distributable Net Income.....	123
Income in Respect of a Decedent .....	128

---

Basis of Property Acquired From Decedents .....	131
The Separate Share Rule .....	139
Interest Income .....	142
Dividend Income .....	143
Capital Gains and Losses .....	145
Retirement Plans .....	157
Sale of Personal Residence .....	164
Rental Real Estate Activities .....	166
Business Income or Loss .....	170
Installment Sales .....	171
Farm Income or Loss .....	171
Miscellaneous Income .....	172
Cancelled Debt .....	173
Filing, Accounting and Income Review Questions .....	175
Filing, Accounting and Income Review Answers .....	180
Estate Deductions .....	187
Income Tax or Estate Tax Deduction .....	187
Deductible Expenses .....	190
Net Investment Income Tax .....	217
Alternative Minimum Tax .....	230
Household Employees .....	237
Credit for Taxes Paid or Withheld .....	237
Termination of the Estate .....	237
Items the IRS Will Look For .....	241
Comprehensive Example – The Estate Form 1041 .....	244
Completed Example – Estate Form 1041 .....	248
Deductions, Taxes, Credits and Wrapping Up Review Questions .....	273
Deductions, Taxes, Credits and Wrapping Up Review Answers .....	277
<b>Estate Form 706.....</b>	<b>281</b>
Unified Rate Schedule .....	282
Fair Market Value .....	283
The Willing Buyer and Seller Test .....	284
Forced Sales .....	285
Timing for FMV Determinations .....	285
Tax Assessments for Real Estate .....	285
Subsequent Events .....	286
Discounts and Premiums .....	286
Alternate Valuation Date .....	289
Form 706 .....	290
Nonresident Filing Requirements .....	290
Due Date .....	293
Extensions .....	294
Statute of Limitations .....	299
Form 706 Specifics .....	299

Income in Respect of a Decedent.....	301
Property in Which Decedent Had an Interest.....	302
Dower and Curtesy Interests .....	302
Community Property.....	303
Pages 1 Through 4.....	306
Part 1.....	306
Part 2.....	306
Part 3.....	311
Part 4.....	311
Part 5.....	312
Part 6.....	312
Schedule A – Real Estate.....	318
Schedule A-1 – Special-Use Valuation .....	321
Schedule B – Stocks and Bonds.....	322
Dividends.....	323
Other Investments .....	324
Schedule C – Mortgages, Notes, and Cash.....	325
Schedule D – Insurance .....	326
Policies Held by Others.....	328
Filing and Schedules A Through D Review Questions.....	329
Filing and Schedules A Through D Review Answers .....	333
Schedule E – Jointly Owned Property.....	338
Schedule F – Miscellaneous Assets .....	340
Schedule G – Lifetime Transfers .....	344
Transfers With Retained Life Estate.....	345
Transfers Taking Effect at Death .....	346
Revocable Transfers.....	348
Transfers for Insufficient Consideration.....	349
Schedule H – Powers of Appointment .....	350
Schedule I – Annuities, Pensions, and IRAs .....	351
Schedule J – Expenses .....	353
Funeral Expenses.....	353
Administrative Expenses.....	354
Schedule K – Mortgages and Liens .....	357
Medical Expenses and Other Debt.....	358
Schedule L – Losses During Administration.....	361
Schedule M – Marital Bequests .....	361
Schedule O – Charitable Bequests .....	364
Schedule P – Foreign Death Tax Credit .....	366
Schedule Q – Credit for Tax on Prior Transfers .....	366
Schedule R – Generation-Skipping Tax.....	367
Generation Skipping Tax .....	368
Schedule U – Qualified Conservation Easements.....	369
State Death Tax Deduction.....	369

Summary of Items Placed on Form 706, Form 1041 and Form 1040.....	370
Request of Discharge .....	371
Refund of Overpayment.....	371
Comprehensive Example – Estate Form 706.....	372
Completed Example – Estate Form 706 .....	375
Schedules E Through U and Wrapping Up Review Questions.....	391
Schedules E Through U and Wrapping Up Review Answers .....	394
<b>Appendix.....</b>	<b>399</b>
<b>Index.....</b>	<b>407</b>