

Will my Beneficiaries Have to Pay Taxes on my Estate?

Taxes are a complicated issue when dealing with an Estate Administration. There are two kinds of taxes that are generally at issue. The first is an income tax. Because your estate becomes a legal entity in and of itself, it will need to file an income tax return in the same way that you needed to file an income tax return throughout your life. There are deductions and credits associated with the return just as there was while you were alive. The tax can either be paid by the estate or by the beneficiaries.

The other tax is an Estate Tax. In order to determine if there is an estate tax associated with a death, the personal representative needs to calculate the value of the taxable estate. The taxable estate is all assets, regardless of title, that pass to another person because of the death. Assets typically included in a taxable estate are:

- Bank Accounts, individually titled and jointly titled
- Real Estate
- Life Insurance
- Retirement Accounts
- Annuities
- Savings Bonds
- Personal Tangible Property
- Intellectual Property Rights
- Proceeds From A Law Suit, either in process or as a result of a death

Once the value of the taxable estate is established, the need to complete an Estate Tax Return is determined. If the taxable estate is greater than \$1,000,000.00 for a Massachusetts decedent, then there is a need to file an Estate Tax Return in Massachusetts. If the taxable estate exceeds \$5,340,000.00 in 2014, then an Estate Tax Return must be filed federally. The Massachusetts taxable estate limit is not expected to change in the foreseeable future; however, the federal estate tax limits adjust to inflation on an annual basis. In both cases, the Estate Tax Returns must be filed within nine months from the date of death.