

AG TAX TIDBITS

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GROSS ESTATE AND TAXABLE ESTATE

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In the previous article, estate planning was described as a continuing process for which there is not one universal cure-all estate planning pill. Additionally, the article discussed the need to identify the estate planning goals and objectives you want your plan to accomplish. This article will review the items included in a person's federal estate and how the federal taxable estate is calculated.

An individual's gross estate includes all of that individual's property, regardless of whether the property is personal or real and whether the property is tangible or intangible. There's no exempt property under the federal estate tax laws. The following are assets included in one's estate with which most people are familiar: stocks, bonds, notes, bank accounts, cash, jewelry, personal effects, real estate, automobiles, inventories, machinery, breeding livestock, patents, copyrights and etc. In short, all property is included to the extent of one's interest in property.

However, there are other items included in one's estate with which we may not be as familiar. The following is a partial listing of these items:

- 1st Property given away during life in which the donor retains the right to income and/or use and enjoyment.
- 2nd Annuities providing a death benefit, refund, or survivor income.
- 3rd Life insurance policies payable to your estate or in which you possess an "incident of ownership" such as the right to name the beneficiary, borrow against the policy, or cancel the policy.
- 4th Life insurance policies transferred within three years of death, and
- 5th Taxable gifts made after 1976.

In general, a person's gross estate is the fair market value of the decedent's assets at the date of death or six months later, if the alternate valuation date is elected. The taxable estate is calculated by subtracting the following items from the gross estate.

- * funeral expenses,
- * debts or obligations of the estate,
- * administration and probate costs,
- * attorney's fees,
- * bequest made to the decedent's spouse (marital deduction), and
- * bequests made to qualifying charities.

This gives us the taxable estate. Given this information and the goals and objectives of your estate plan - we'll be able to explore some of the tax provision and planning strategies in the following articles.

While you are the only person who should decide what is to be done with your estate, professional assistance is recommended to help insure your desires are fulfilled.



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