TEdec Topics

- a monthly news flash for May 2011

Filing Estate Tax Returns with Inter Vivos Trusts

There are a number of issues to consider when filing an IRS Fm 706, Estate Tax Return (ETXR), when the value of the assets of an *inter vivos* trust is included. Some of these issues involve "How and where in the ETXR do you include the values of *inter vivos* Trust assets." Here are some thoughts, which have been developed from years of personal experience, as well as from assisting TEdec users.

1. Filing with Irrevocable Trusts. If you have an Irrevocable Trust, the assets of which are included in the Decedent's Gross Taxable Estate, our understanding from the IRS Regs is that there should be one entry on Schedule G of the ETXR, which shows the transfer made during lifetime and the value of the same on the Decedent's Date of Death (DOD) with an appropriate exhibit identifying the specific assets. Because of this for an Irrevocable Trust TEdec does not automatically enter an Estate Tax (ETX) code for the individual inventory transaction records. Therefore to include the value of the Irrevocable Trust in the Decedent's ETXR:

a.Record in that Estate entity (a separate entity from the Trust entity) a transaction for the trust showing the value as of the date of death → this would be an entry of a Non-probate Asset - i.e. the Trust, with a Schedule G entry – in the transaction window you will be prompted to designate the ETX code, and then use as an exhibit identifying the assets of the trust either by:

i.   The Schedule of Assets on Hand (A-A0H) as of the DOD. If there is an adjustment to tax basis as of the date of death (i.e. a stepped up/down basis) then you can enter the adjustment to the basis using the Write up/down function. [See TEdec User Webinar for April 2011 for a review of this function.]

ii.   Alternatively, if the Irrevocable Trust became funded on the DOD, you could prepare a Schedule of Principal Received (from the A-RD icon) – but this (funding at death) would normally not be the case for Irrevocable Trusts.

2. Revocable Trusts. If you have a Revocable Trust (Rev Trust), TEdec will enter an appropriate ETX Code for each journal record. Therefore, you can follow either of the following procedures:

a.   If you have a separate Estate entity, or if the executor/administrator is going to file the ETXR, then create a separate Estate entity in TEdec completing at least the Masterfile and the Beneficiaries, and then record in that Estate entity a transaction for the Rev Trust showing the value as of the DOD (this would be an entity of a Non-probate Asset - i.e. the Rev. Trust, with a Schedule G entry - in the transaction window you will be prompted to designate the ETX code) and then use as an exhibit identifying the assets of the Rev Trust either by:

i.   The Schedule of Assets on Hand -> for cases which start the Date of Funding prior to the DOD – i.e. where the non-grantor Fiduciary actually takes over prior to the DOD. If there is an adjustment to tax basis as of the DOD (i.e. a stepped up/down basis) then you can enter the adjustment to basis using the Write up/down function. [See TEdec User Webinar for April 2011 for a review of this function.]

ii.   Alternatively, the Schedule of Principal Received (from the A-RD icon) - for cases which start the Date of Funding on the DOD.

b.   If no one else is filing the Estate Tax Return and the Trustee is going to do so, bridge directly from the Rev Trust to Lacerte 706 and TEdec will bridge the assets to the individual asset schedules of the 706 tax return.

TEdec University Password for May 2011. The TEdec Web page now includes under Support an option for TEdec University. This is where you will find (1) recordings of "How to" by topic and by reference to the TEdec Tutorial, and (2) recordings of the TEdec User Webinars (which started in June 2009). TEdec users with current SMA will need to sign in. The User Name is always TEdec and the Password (which will change monthly) for May 2011 is **May328.** Please take a look at TEdec University — you will be glad you did!

Free User Webinar → TEdec has scheduled a **Free User Webinar** for **Tuesday, May 31, 2011** at **9:00 a.m. and 4:00 p.m.** EST, each lasting approximately 30 minutes in length. We will highlight the items covered in this issue of the TEdec Topics. Call TEdec support for your Webinar reservation. Space is limited, so call today! You'll be glad you did! We look forward to having you join our next user Webinar!

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