



## **Important Information that Applies to Estates**

Information on this page is provided to assist you with gathering documents and other information we need when preparing the fiduciary tax return of an estate.

An estate comes into existence on the date of death of the decedent. The estate ends when all assets held by the estate have been distributed.

- All income earned by the decedent prior to death is reported on the final Individual 1040 return of the decedent. All income earned by the estate is reported on the estate Fiduciary 1041 return.
- For the year of death it is therefore necessary to file two short-year tax returns:
  - One for the decedent, and
  - One for the estate.
- After the year of death, Fiduciary 1041 tax returns are filed for the estate until the estate is closed and all remaining assets of the estate are distributed to beneficiaries, heirs, or charity.

The executor or administrator of an estate is responsible for performing the following duties relating to tax matters of the estate:

1. Obtaining an employer identification number (EIN)
2. Filing necessary income and estate-tax returns including:
  - a. The estate's income tax return (both federal and state),
  - b. The federal estate-tax return (if required),
  - c. The state death tax return (if required)
  - d. The deceased's final income tax return (federal and state).
3. Payment of debts owed by the estate. Taxes usually must be paid before other debts.
4. Paying all death taxes (i.e., estate and inheritance). Often it is necessary to hire an appraiser to value certain assets of the estate, such as a business, pension, or real estate, since estate taxes are based on the "fair market" value of the assets. After the filing of the returns and payment of taxes, the Internal Revenue Service will generally send some type of estate closing letter accepting the return. Occasionally, the return will be audited.

The executor of an estate should keep meticulous bookkeeping records which detail all income and expenditures of the estate. Depending on circumstances and upon the stipulations set forth within the will, beneficiaries of the estate may receive partial distributions of their inheritance prior to the closing of the estate.

Tax laws and rulings governing administration of estates, particularly with respect to taxes, are complex. Therefore an executor can be in charge for two or three years before the estate administration is completed. During the period of time the estate continues to exist, the executor is required to pay necessary expenses relating to administration of the estate from the estates assets.

If the estate sold or disposed of assets during the year, the sale of these items must be reported on the tax return of the estate. The following information should be maintained by the estate:

- An inventory of the items sold,
- The fair market value of these items on the date of death,
- Costs related to maintaining, repairing, improving, holding and selling assets,
- The date of sale, and
- Sales price

Examples of the kinds of assets the estate or trust may have sold include:

- Home
- Rental property
- Stocks and bonds
- Personal property such as furniture, jewelry and vehicles.

<b>Beneficiary Information</b> <b>First Name–Last Name</b> <i>(Enter information for all Partner/Members who owned shares at any time during the year)</i>	<b>Social Security Number</b>	<b>Beneficiary Mailing Address</b>  <b>Street Address</b> <b>City, State, Zip</b>	<b>Beneficiary's share of Income, Deductions etc.</b>

<b>Distributions of money or property to beneficiaries during the year</b>	
Please describe the amount and type of distributions made to beneficiaries during the year.	
Income required to be distributed during the year	\$
Other amounts paid, credited, or otherwise required to be distributed	\$
Use this space to provide additional information about distributions made to beneficiaries.	

**Sale of stock, home, land, automobiles and other property belonging to the Estate or Trust**

- Please attach copies of year-end brokerage statements relating to stock sales
- If real estate was sold during the year, provide copies of closing papers

Description of property sold	Date purchased	Purchase Price	Date Sold	Sales Price

**Interest and Dividend Income Worksheet**

- Please attach copies of all interest and dividend statements the Partnership/LLC received for the year.
- If you are receiving interest payments under a seller financed mortgage, we will need the name, address and SSN of the person making payments to you.
- For each payer of interest or dividends, enter the total payment received.

Did the trust/estate have ownership or control over a financial account in a foreign country? Yes ☐ No ☐

If yes, what was the maximum value of the foreign financial accounts during the year?

Do you wish to nominee any interest to a secondary account holder? Yes ☐ No ☐

Name of bank or other payer	Interest Received	Name of Partnership/LLC or other payer	Dividends Received
	\$		\$
	\$		\$
	\$		\$

Expenses		Expenses	
Fiduciary fees	\$	Attorney fees	\$
Accounting	\$	Tax preparer	\$
Expenses for maintaining property held by the estate	\$	Qualified residence interest (interest paid by the estate on	\$
Investment interest	\$	Investment advisory fees	\$
Subscriptions to investment advisory magazines	\$	Safe deposit box	
Amounts permanently set aside for charitable purposes	\$	Wages ( W2s must be issued)	
Mortgage interest (paid to banks etc.)	\$	Cell phone (100% of charges)	\$
Other interest (do not include auto or home loan interest)	\$	Business use %	%
Legal and professional services	\$	Telephone expense (Do not include cost of main home phone line)	\$
Office expense (Do not include equipment purchases – see Depreciation Worksheet below)	\$	Professional continuing education	\$
Pension and profit sharing plans	\$	Internet service	\$
Rent or lease (vehicles, machinery, and equipment)	\$	Parking & tolls	\$
Rent (office, leasehold, storage)	\$	Other expenses (List below):	\$
Repairs and maintenance	\$		\$

## ENGAGEMENT LETTER

Thank you for choosing Pacific Northwest Tax Service to assist with the preparation of tax return(s) for \_\_\_\_\_, here-in- \_\_\_\_\_ *Fiduciary* This letter confirms the terms of this engagement and outlines the nature and extent of the services we will provide.

We will prepare tax year \_\_\_\_\_ income tax returns for the Fiduciary. We will depend on management of the Fiduciary to provide the information we require to prepare complete and accurate returns. The law imposes penalties when taxpayers underestimate their tax liability. Pacific Northwest Tax Service and its personnel are not liable for errors or omissions that result from a failure on the part of the Fiduciary to complete the Fiduciary

Our fees for preparation of the Fiduciary fees may apply if we provide bookkeeping, accounting, consulting or research services. Fees are due at the time services are rendered. To the extent permitted by state law, an interest charge may be added to all accounts not paid within thirty (30) days. We will use information obtained during this engagement for collection of any and all fees due. Fiduciary

Fiduciary records will be returned to management at the end of this engagement. These records, along with all supporting documents, canceled checks, etc., should be securely stored, as these items may later be needed to prove accuracy and completeness of a return. We will retain copies of the records and our work papers from this engagement for four years, after which these documents will be destroyed.

Our engagement to prepare the Fiduciary tax returns will conclude with the delivery of the completed returns to management (if paper filing) or the signing by your tax matters Officer, and the subsequent submittal, of the tax return (if e-filing). If management has not elected to e-file the returns with our office, management will be solely responsible to file the returns with the appropriate taxing authorities. The tax matters partner/manager should review all tax-return documents carefully before signing them.

To affirm that this letter correctly summarizes the arrangements for this work, and that all information provided on the Fiduciary Estate and Trust Organizer is true and correct, please sign this letter in the space indicated below.

Thank you for your confidence in Pacific Northwest Tax Service.

Accepted By:

\_\_\_\_\_  
Executor/Administrator/Trustee of the Fiduciary

\_\_\_\_\_  
Date