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Clients and Friends:

To follow up on our newsletter of January, 2014, the IRS has now made provision for an easier method to file a federal estate tax return (Form 706) for a deceased spouse, in order for the unused portion of a deceased spouse's exemption (the "Deceased Spousal Unused Exclusion Amount" or "DSUE") from the estate tax to be used in the surviving spouse's estate. This is referred to as the "portability" of the unused exemption to the survivor's estate. In 2014, the estate tax exemption is \$5,340,000, per person. If all assets pass to a surviving spouse, and if elected on a timely-filed estate tax return for the deceased spouse, the survivor's estate will be able to distribute up to twice the exemption amount, or \$10,680,000, free of federal estate tax. Any amount in excess of that total would be taxed at a flat 40% (under current law).

There is now an abbreviated Form 706, referred to as "a portability return," that can be filed for the deceased spouse's estate to allow the surviving spouse to use the DSUE, per the latest instructions for the Form 706. Appraisals of the assets owned by the deceased spouse, and any other information pertaining to values of those assets, are not required to be reported on a portability return. This should save a lot of time and expense in the preparation of the portability return, compared to the preparation of a full estate tax return, which does require a complete listing and full appraisals of all assets. The only "catch" may be that the statutes on filing the simplified "portability returns" do not toll until the death of the surviving spouse, and it is strongly suggested that the records and values of the assets of the first spouse to die be kept until the survivor's estate is completed, in order to verify the earlier calculation of the DSUE elected on the portability return, if questioned.

If you have any questions regarding the above, or other concerns about any other aspect of your estate planning, please give us a call.

Very truly yours,

Dave