



## ASK THE EXPERT

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# Navigating an inheritance and taxes

**I have questions about inheritance and taxes. What counts as a person's estate? If you're a beneficiary, is your inheritance taxed as additional income? What's the most cost-efficient way to provide for your loved ones after your death? Is it true that survivors must file income taxes for someone who has died?**

Your estate is the value of everything you owned when you died — and that means everything: financial accounts, life insurance policy, jewelry, house, furniture, car, etc.

Estate taxes are levied on that total value if it's high enough. But most people don't leave taxable estates. New York currently taxes estates worth more than \$5.25 million, and the federal government now only taxes estates worth more than \$11.2 million.

As for the heirs, an inheritance isn't treated as taxable income. You inherit capital assets (a house, shares of stock) at their market value. If you inherit a house worth \$250,000 when the owner died, for example, and you sell it for \$250,000, you have no taxable profit. If you inherit an Individual Retirement Account, you're only taxed on IRA distributions, which you can stretch over your life expectancy; the principal remains tax-deferred.

The simplest way to provide for heirs is to make them your beneficiaries or joint owners of your assets. Assets with named beneficiaries (like life insurance policies and retirement accounts) and jointly owned assets aren't governed by your will; they go directly to the beneficiaries or surviving joint owner.

Yes, your survivors will have to file your final income tax return. Even if you die moments after you mail your 2017 return (due this year on April 17), next year the IRS will expect a tax return reporting your 2018 income from Jan. 1 through April 17.

### THE BOTTOM LINE

Everyone leaves an estate, but few estates are taxable.

### MORE INFORMATION

- [nwsdy.li/IRSeState](http://nwsdy.li/IRSeState)
- [nwsdy.li/NYSeState](http://nwsdy.li/NYSeState)

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