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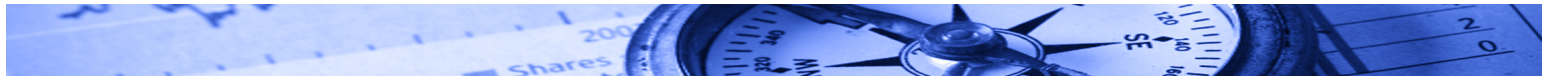
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Filing a Final Income Tax Return

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2116029 - 05/09/2019



Filing a Final Income Tax Return

Who should file the return?

Estate representative

If a court has appointed a personal representative or other estate administrator, that individual is required to file returns for the decedent. If the decedent was married at the time of death, the representative and surviving spouse, if they both agree, may file a joint tax return. If the surviving spouse remarries before the end of the tax year, however, the representative must file for the decedent as married filing separately.

Surviving spouse

If a court hasn't appointed an estate representative by the deadline for the return, the surviving spouse alone can file a joint return as long as he or she hasn't remarried before the end of the tax year. A spouse can file a joint return even if the appointment of an estate representative is expected. The representative may, once appointed, revoke the election to file jointly, though.

Technical Note: *If the surviving spouse is appointed representative, he or she files for the decedent as representative and not as surviving spouse.*

Person in charge of decedent's property

If there is no court-appointed representative and no surviving spouse, a "person in charge of the decedent's property" must file the return. This "person" may be anyone in actual or constructive possession of the decedent's property. Generally, the heirs informally designate one person among the beneficiaries to act in this capacity. A person in charge of the decedent's property should only file the return if the estate won't require probate. If the return shows a refund, the person is required to verify on Form 1310 that a court hasn't and won't appoint a representative.

Declaring income in the year of death

The items you include in the final federal income tax return depend on whether the decedent was a cash or accrual method taxpayer. If the decedent used the cash method of accounting, you include items of income received before death, and deduct those expenses that the decedent paid before death. If he or she used the accrual method, then you include items accrued before death. You report any income after death on the estate's income tax return or on the tax return of the beneficiary who received it directly.

An incorrect Form 1099

If the decedent's Form 1099 reflects income both prior to and after death, you should request and obtain a corrected 1099. If you cannot obtain one, report the income as nominee interest or dividends. List the entire income from the 1099 on Schedule B. On a separate line, subtract the amount attributable to the estate or other beneficiary. Label this subtraction "Nominee Distribution." Then, issue a Form 1099-INT or 1099-DIV to the estate or beneficiaries. Also, file Forms 1099 and 1096 with the IRS.

Deductions, personal exemption, and credits

Itemized deductions

The general rule is that you handle deductions for a decedent the same way you handle them for living individuals. Deductions are allowed for items paid before the decedent's death that would have been deductible by the decedent as of the date of death (accrued before death for accrual method taxpayers). The following exceptions apply:

- Medical costs paid by decedent's estate within one year of death — These medical costs can be deducted either on Schedule A of the decedent's Form 1040 or on the estate tax return. If they are to be deducted on the decedent's Form 1040, the deductions aren't automatically on the final 1040. Rather, you deduct each expense on the Form 1040 in the year the expense was incurred. This may require the filing of an amended federal income tax return on Form 1040X to deduct



expenses incurred in an earlier taxable year. When such expenses are taken on Form 1040, you must attach a statement to the return stating that the expenses have not been and will not be claimed on an estate tax return.

Tip: A taxpayer who paid medical expenses for a deceased spouse or dependent can deduct the expenses in the year paid without attaching an election statement.

- Pension or annuity without a surviving annuitant — If the decedent was receiving a pension or annuity and some investment was lost because there was no surviving annuitant, you can deduct the lost investment as a miscellaneous itemized deduction not subject to the 2 percent adjusted gross income (AGI) limitation.

Technical Note: Funeral, probate, and other estate expenses may be deductible on one of the estate returns, but aren't deductible on the decedent's final Form 1040.

Standard deduction and personal exemption

The standard deduction and personal exemption generally can be claimed in full as if death hadn't occurred. A decedent can't use the standard deduction if the surviving spouse files separately and itemizes. In addition, a decedent can't claim the personal exemption if someone else can claim the decedent as a dependent. Personal exemptions are suspended for 2018 to 2025.

Credits

You can claim, on the decedent's return, any credits that the decedent was eligible for before death. You may claim an earned income credit on behalf of a decedent, even if the decedent's return covers only part of a year and he or she wouldn't have qualified with a full year's income. A decedent's earned income credit is refundable if it exceeds the decedent's tax liability for the year.

Headings and signing the forms

Headings

Regardless of whether you file a joint return or a separate return for the decedent, you should write the following across the top of the tax return:

- "DECEASED"
- The decedent's name
- The date of death

If you file a joint return, write the names, address, and Social Security numbers of the decedent and surviving spouse in the space provided. If you file a separate return for the decedent, write the decedent's name in care of the person filing the form and that person's address.

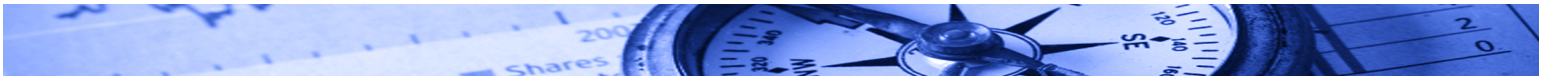
Signing the forms

The following are the procedures for an estate representative, a surviving spouse, and a person in charge of a decedent's property:

- Estate representative — A court-appointed representative must sign the return and include his or her title. In the case of a joint return, the representative signs for the decedent and the surviving spouse signs, as usual, in the space for his or her signature. If the spouse is serving as the representative, he or she should sign the return twice. Note that the surviving spouse shouldn't, in this circumstance, write the words "Filing as Surviving Spouse" on the signature line.
- Surviving spouse — A surviving spouse should first write "Filing as Surviving Spouse" in the space for the decedent's signature. He or she then signs in the space for his or her signature.
- Person in charge of a decedent's property — That person should sign his or her name followed by the words "Personal Representative."

Documents needed to claim a refund

If the tax return shows a refund, Form 1310 or other documentation may be required, depending on who files and signs the return. The following table outlines the required documentation in various circumstances:



Returns/Documents Required for Filing				
If the return is filed and signed by:		Then these documents are required to claim refund:		
Court-Appointed Representative	Surviving Spouse	Form 1310	Court Certificate	Death Certificate
Yes	Yes	No	Yes	No
Yes	No	No	Yes	No
No	Yes	No	No	No
No	No	Yes	No	Yes

Early filing

A decedent's Form 1040 must be filed on forms for the appropriate tax year and is due at the same time that the decedent's income tax return would have been due had death not occurred. The return can't be filed early so that the personal representative can be discharged and the probate estate closed.

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