

**OVERVIEW OF INCOME TAX ISSUES FOR DECEDENTS, ESTATES AND TAX TREATMENT OF
DISTRIBUTIONS FROM AN ESTATE TO BENEFICIARIES**

August 13, 2013, 11:30 a.m. to 12:30 p.m. Jury Assembly Room

**Presentation Sponsored by Judge Christine Butts,
Probate Court Number Four , Harris County, Texas**

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A. Appointment of Client as Executor or Administrator (“Personal Representative”)

Limiting Scope of Representation to Legal Services Only

Most probate attorneys enter into an attorney client relationship via signed engagement letter that includes the scope of the representation. If you are not going to prepare income tax returns for the client or the estate, it is recommended that you include language in your engagement letter limiting the scope of your representation. It is recommended that you provide the names of one or more certified public accountants or other enrolled tax preparers who can assist the client with tax preparation.

Duties of Personal Representative

The discussion regarding a personal representative’s duties related to income tax returns for the decedent and for the estate should be started with the client once they are appointed as the personal representative of the estate. The typical duties of a personal representative include but are not limited to collecting all probate estate assets, paying all legal debts of the Decedent, and finally distributing probate estate assets to heirs or estate beneficiaries. The personal representative must also perform the following duties related to income, estate and gift tax returns. The scope of this presentation is limited to income tax issues only but if the estate is complex, the personal representative has a duty to investigate the gift and estate tax returns that may be due.

*Apply for an employer identification number (EIN) for the estate.

*File all tax returns, including income estate and gift tax returns, when due.

*Pay the tax determined up to the date of discharge from duties.

***Form 56 – Notice of Fiduciary Relationship**

Once an employer identification number for the estate is obtained, the personal representative needs to complete a Form 56 – Notice of Fiduciary Relationship so that the Internal Revenue Service is notified that the personal representative will be stepping into the shoes of the Decedent. This permits the personal representative to access copies of prior filed tax returns and also permits access to income reported to the Internal Revenue Service under the Decedent’s social security number. If prior tax returns are delinquent, this provides a way to obtain income reported to the Internal Revenue Service and what must be included on these prior returns.

Form 4810 – Request for Prompt Assessment of Income Tax

A personal representative has the option to file a Form 4810 – Request for Prompt Assessment of Income Tax under Internal Revenue Code Section 6501(d) to obtain an

assessment within 18 months from the filing date of an income tax return for the Decedent or the estate. This procedure provides for a faster settlement of the estate.

Form 5495 – Request for Discharge of Personal Liability

A personal representative also has the option to file a Form 5495 – Request for Discharge of Personal Representative from liability for Decedent's income, gift, and estate tax after the returns are filed. The Internal Revenue Service has nine months within which to notify the personal representative of the amount of taxes due and if paid by the personal representative, such payment provides the personal representative with a discharge from future liabilities.

Reporting Personal Representative Fees

Fees paid to personal representatives for administering the estate must be included in the gross income of the personal representative. These fees are typically reported on a Form 1099MISC that must be filed by the estate for the calendar year in which the fees are paid. If the personal representative is not in the trade or business of being a personal representative, these fees may not be subject to self employment tax (social security and Medicare). If the personal representative is in the trade or business of serving as a personal representative, then these fees will be reported on Schedule C of the personal representative's tax return or as appropriate. Attorneys who serve as the personal representative of an estate would be subject to self-employment tax.

Insolvent Estate Issues

The personal representative also has the duty of determining the estate's solvency regarding the payment of liabilities and other debts. Debts due the United States include the Decedent's income tax liabilities at time of death and estate income tax liability during administration. The personal representative is liable for the amounts paid for other debts **before** paying debts due to the United States unless such other payments were to debts **with priority** over debts due the United States. An example of debts with priority would be attorney fees incurred to open an estate administration. It is doubtful that many attorneys will work for free.

B. Final Form 1040 – Individual Income Tax Return for Year of Death and Preceding Years

Personal Representative Liability for Filing Returns

The personal representative is responsible for filing the final income tax return for the Decedent for the year of death and any returns not filed for preceding years. The surviving spouse, if any, may also have to file returns for the Decedent. The due date for filing the final income tax return is April 15 of the year following the date of death.

Surviving Spouse – Filing Joint Return for Year of Death

The personal representative and the surviving spouse may file a joint return for year of death. The surviving spouse alone may file the joint return if a personal representative has not been appointed

before the due date for filing the final return. The personal representative may revoke a joint return filed by the surviving spouse by filing a separate return for the Decedent within one year from the due date of the return including any extensions. The personal representative may elect to take this step to avoid any joint and several tax liability that could arise from a joint return.

Use of Joint Income Tax Rates by Surviving Spouse

A surviving spouse may be eligible to file as a qualifying widow(er) if there has been no remarriage, there is a child, stepchild or foster child as a dependent, if the widow(er) has provided more than half the cost of maintaining the home, which is the principal residence for the entire year. This eligibility is available for two years following the year of death. After those two years, the widow(er) may qualify to file as head of household. It is recommended that the widow(er) confer with his or her own income tax advisor.

Election to Deduct Medical Expenses

An election to deduct medical expenses of the Decedent not paid before death (must be paid by estate within the one year period beginning on date of death) may be made by attaching a statement to the Decedent's final income tax return. These medical expenses are then not available as a deduction on the Form 706, United States Estate Tax Return. If there is an estate tax liability, an election to deduct the medical expenses on the Form 706, United States Estate Tax Return is probably the most prudent course of action to take. The medical expenses must exceed 7.5% of the adjusted gross income of the Decedent in order to be deductible on the final tax return.

Method of Accounting

The method of accounting on the final income tax return is a continuation of how the Decedent reported their income on the prior tax returns. All income received or accrued up to date of death must be included on the final income tax return for the Decedent.

C. Reporting Interest and Dividend Income (Form 1099) on final Form 1040

Reporting Interest and Dividend Income (Form 1099) on Final Form 1040

The personal representative will receive Form(s) 1099 reporting interest, dividends and other income under the Decedent's social security number. Very often, these Form(s) 1099 include interest, dividends and other income received after date of death. The personal representative should contact the payor and obtain a corrected Form 1099 if possible.

Reporting Methodology – Worksheet To Reconcile

Often it is not possible to obtain a Form 1099 for interest and dividends properly payable to the estate or other recipient. Personal representatives and families unfamiliar with the probate process may fail to file the will for probate timely enough to be able to obtain corrected Form 1099s. Forms 1099s received that include interest, dividends or other income belonging to the estate

or other recipient must be reported 100% on the Form 1040 and then the portion belonging to the estate or another recipient must be subtracted from the total income with an explanation or the designation of "Nominee Distribution". See the attached Exhibit A for an example of a worksheet.

D. Income Tax Basis of Inherited Property

Step To Fair Market Value on Date of Death/Alternate Valuation Date

The income tax basis of most property inherited from a Decedent is generally one of the following:

*Fair market value on date of death

*Fair market value on the alternate valuation date if elected by the personal representative on the estate tax return.

This is the same fair market value that is typically included on the probate inventory, if one is filed. If an affidavit in lieu of a probate inventory is filed, then the personal representative still has the duty to provide this information to the heirs or the estate beneficiaries, as the case may be.

Election for Special Use Valuation for Farm or Closely Held Business

Real property used in farming or other closely held business may be valued under the special-use method if an election is made by the personal representative on the estate tax return. There are other requirements associated with this election that are beyond the scope of this presentation. The personal representative is advised to seek professional advice on the election for special use valuation

No Basis Adjustment for Land Subject to A Qualified Conservation Easement

The Decedent's adjusted basis in and to the extent of the value excluded from the Decedent's taxable estate as a qualified easement. There is no step to basis adjustment for land subject to a qualified conservation easement. The Decedent's adjusted basis prior to death is the basis in the hands of the heirs of the estate beneficiaries as the case may be. This is discussed in more detail in the instructions for the Form 706 Estate Tax Return). The personal representative is advised to seek professional advice on qualified conservation easements.

Appreciated Property Reacquired From A Decedent

If an individual or the individual's surviving spouse gave appreciated property to another individual during the one year period ending on the date of that individual's death and this property was later acquired from the deceased individual, then the basis in the property is the same as the deceased individual's adjusted basis immediately before death. Appreciated property is property that had a fair market value greater than its adjusted basis on the date it was transferred to the deceased individual. This rule prevents transferring property for the sole purpose of obtaining a step to basis.

Step Basis Adjustment for Community Property

As we all know, Texas is a community property state and one the advantages of owning real estate in Texas or being domiciled here is the step to basis adjustment that is available for both halves of the community property. For example, Husband and wife purchase a residence during marriage for \$200,000. Two years later, husband dies on a business trip. The residence is now worth \$350,000 due to the run up in real estate values. Accordingly, the estate's step to basis in the residence is \$175,000 (1/2 of \$350,000) and the surviving spouse's step to basis is \$175,000. Please refer to Publication 551 Basis of Assets for more specific examples of the calculation of the basis of community property after a spouse's death.

Holding Period for Property Acquired From A Decedent

An estate or other recipient that acquires property from a Decedent and sells or otherwise disposes of it is considered to have held the property for more than one year, no matter how long the estate and the decedent actually held the property. For example, an individual purchases 100 shares of Exxon Mobil stock for \$88.00 a share one month before date of death. The individual's adjusted basis in these 100 shares of Exxon Mobil stock is \$8,800 immediately before date of death and the holding period would be short term (owned less than one year). When the individual dies, the shares are eligible for the step to basis and also are now considered to be held for one year or more, thereby qualifying for long term capital gain rates.

Income in Respect of A Decedent/Deductions In Respect of A Decedent

Income in respect of a Decedent is defined to be all income the Decedent would have received had death not occurred that was properly includible on the final return of the Decedent. Income in respect of a Decedent must be included on the estate income tax return if the estate is the recipient, on the income tax return of a beneficiary receiving the income if the right to the income passed directly to the beneficiary, to any person to whom the estate properly distributes the right to receive the income.

Examples of income in respect of a Decedent include:

- *Salary payments due to the Decedent that were not received by the Decedent before death

- *Income that was to be paid via installments:

- *Estate receives two of the installments prior to distributing the right to the remaining installments to an estate beneficiary

- *Estate beneficiary receives the remaining installments

The estate and the estate beneficiary must include these payments in their respective tax returns.

Additional examples of income in respect of a Decedent:

*Wages, Farm income from crops, crop shares and livestock

*Partnership Income, U.S. Savings Bonds, Inherited IRAs, Roth IRAs,
Coverdell IRA, and HSA, Archer MSA or Medicare Advantage MSA

Deductions In Respect of A Decedent

Deductions in respect of a Decedent include items such as business expenses, income-producing expenses, interest, and taxes for which the Decedent was liable but are not properly allowable as deductions on the Decedent's final income tax return. These items can be deducted on the estate's income tax return or by the person who acquired an interest in the Decedent's property (subject to such obligations) due to the Decedent's Death if the estate was not liable for such obligation.

Step To Basis Rules for Property Held by Joint Tenants/Qualified Joint Interests

There are specific rules for calculating the step to basis for property held as joint tenants with rights of survivorship by unmarried tenants and by married couples.

The step to basis for property held as joint tenants with rights of survivorship by unmarried tenants is calculated by adding the surviving tenant's original basis to the value of the property included in the deceased tenant's estate. The portion of the property included in the deceased tenant's estate is based on the funds contributed for the original purchase. From this sum, subtract any depletion or depreciation allowed to the surviving tenant on the property.

The step to basis for property held by a married couple (known as qualified joint interests) is calculated as follows: One half of the property owned by a Decedent and a spouse as tenants by the entirety or as joint tenants with rights of survivorship, provided that Decedent and spouse are the only joint tenants, is included in the Decedent's gross estate. This fifty fifty split is true regardless of how much each contributed to the purchase price. The step to basis for property held as qualified joint interests is calculated by adding the surviving joint tenant's original basis to the value of the property included in the deceased joint tenant's gross estate. From this sum subtract any deduction for depletion or depreciation allowed to the surviving joint tenant on the property.

E. Income Tax Treatment of Gifts, Insurance, Inheritance and Specific Bequests

Gifts received by an individual do not result in gross income to the individual. Insurance proceeds received due to the death of the insured by the estate or by a beneficiary do not result in gross income.

Specific bequests of money or property provided for in a last will and testament do not result in income to the recipient provided:

- *It is required by the terms of the Will.
- *It is a gift or bequest of a specific sum of money or property,
- *It is paid out in three more installments under the terms of the Will.

Examples of distributions that are not treated as specific bequests include the following:

- *Amount of money that can be paid only from current or prior income of the estate.
- *An annuity or a payment of money or of specific property, or having the effect, of an annuity.
- *Payment of residuary estate.
- *Payment of gifts in installments if the will states that it must be paid in more than three installments
- *Conditional bequests still qualify as specific bequests

F. Form 1041 – Income Tax Return for Estate

The estate is a taxable entity separate from the decedent and comes into existence on date of death. The estate remains open until the final distribution of its assets and payment of debts. Income earned by estate assets must be reported by the estate under guidelines provided in IRS Publication 559 – Survivors, Executors and Administrators.

Initial Return for Selection of Fiscal Year End and Method of Accounting

The estate's income must be reported annually on either a calendar or fiscal year basis. The choice of a calendar or fiscal year is made by filing the first Form 1041 – Income Tax Return for Estate. The tax year may be any period that ends on the last day of a month and does not exceed 12 months.

The method of accounting --- either cash or accrual or hybrid is also selected on the first Form 1041 filed by using the method of accounting desired.

Filing Requirements and Form 1041NR – Income Tax Return for a Nonresident Estate

A Form 1041 for the estate must be filed if there is gross income or \$600 or more or if one or more of the beneficiaries of the estate is a nonresident alien. A fiduciary for a nonresident alien estate with U.S. source income, including any income that is effectively connected with the conduct of a trade or business in the United States, must file a Form 1041NR.

Income Distribution Deduction

An estate is allowed to take an income distribution deduction for the tax year for any income that must be distributed currently and for other amounts that are properly paid, credited, or required to be distributed to beneficiaries. This deduction is limited to distributable net income. Use of distributions to estate beneficiaries during the tax year and within 65 days of the end of the tax year if a Section 663(b) election is made permits the personal representative and the estate beneficiaries an opportunity to minimize the income tax paid at the estate level and at the beneficiary level.

The Section 663(b) election permits the personal representative to treat distributions made in the first 65 days of the next tax year as if made during the preceding tax year. This permits year end tax planning to be done in the next year when all information is available.

Distributable Net Income/Distributions to Beneficiaries

As indicated above, prudent use of the Section 663(b) election permits the personal representative and the estate beneficiaries to minimize income tax liability. Distributable net income is the estate's taxable income, excluding the income distribution deduction and certain other adjustments for tax-exempt interest, the \$600.00 exemption deduction, and capital gains and losses.

Separate Share Rule

The separate share rule for the purpose of determining the income and deductions to be reported to estate beneficiaries on the Schedule K-1 must be use if:

- *The estate has more than one beneficiary
- *The economic interest of a beneficiary does affect and is not affected by the economic interest of another beneficiary.
- *If the separate share rule applies, the separate shares are treated as separate estates for the sole purpose of determining the distributable net income allocate to a share. A detailed review of the will and applicable local law must be done to ensure that the allocation of income and deductions among beneficiaries is correct.

Schedule K-1 Reporting

A Schedule K-1, Beneficiary's Share of Current Year Income, Deductions, Credits and Other Items must be prepared to report each beneficiary's share of same. Each beneficiary is responsible for reporting their share of income, deductions, etc. on their individual income tax returns. There are special rules involved when there is a nonresident alien beneficiary.

Property Distributed In Kind

A beneficiary's basis in property distributed in kind by an estate is the same as the estate's basis immediately before the distribution plus any gain or loss recognized by the estate. Property distributed in kind does not include a specific bequest (unless it must be distributed in more than three installments) or real property, the title of which passes directly to the estate beneficiary under local law.

An estate recognizes gain or loss on a distribution in kind to a beneficiary only in the following situations:

*The distribution satisfies the beneficiary's right to receive either a specific dollar amount (whether payable in cash, in unspecified property) or a specific property other than the property distributed.

*An election is made to recognize the gain or loss on the estate income tax return (Section 643(3)(d) election. This election applies to all noncash distributions during the tax year.

Final Return – Excess Deductions and Estimated Tax Payments

The termination of an estate occurs when all assets have been distributed or if the period of administration is prolonged unreasonably. The issue of an unreasonably long estate administration is determined on a fact by fact case basis. Any unused loss carryovers or excess deductions for the last tax year are allowed to those estate beneficiaries who succeed to the estate's property. When an estate terminates, the executor may elect to transfer all or a portion of the estate's estimated tax payments for the last tax year to the estate beneficiaries.

EXHIBIT A

**Table B. Worksheet To Reconcile Amounts Reported
in Name of Decedent on Information Returns
(Forms W-2, 1099-INT, 1099-DIV, etc.)**

Keep for Your Records 

Name of Decedent		Date of Death	Decedent's Social Security Number		
Name of Personal Representative, Executor, or Administrator		Estate's Employer Identification Number (If Any)			
Source (list each payer)	A Enter total amount shown on information return	B Enter part of amount in column A reportable on decedent's final return	C Amount reportable on estate's or beneficiary's income tax return (column A minus column B)	D Part of column C that is <i>income in respect of a decedent</i>	
1. Wages					
2. Interest income					
3. Dividends					
4. State income tax refund					
5. Capital gains					
6. Pension income					
7. Rents, royalties					
8. Taxes withheld*					
9. Other items, such as social security, business and farm income or loss, unemployment compensation, etc.					

* List each withholding agent (employer, etc.)

EXHIBIT B

DECEASED

John R. Smith -- April 9, 2012

Form 1040

Department of the Treasury—Internal Revenue Service (99) U.S. Individual Income Tax Return

2012

OMB No. 1545-0074

IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2012, or other tax year beginning , 2012, ending , 20 See separate instructions.

Your first name and initial Last name Your social security number John R. Smith 234 00 7890

If a joint return, spouse's first name and initial Last name Spouse's social security number Mary L. Smith 567 00 0123

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. 6406 Mayflower St. Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). Juneville, ME 00000 Presidential Election Campaign

Foreign country name Foreign province/state/country Foreign postal code Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.

Filing Status 1 Single 2 Married filing jointly (even if only one had income) 3 Married filing separately. Enter spouse's SSN above and full name here. 4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. 5 Qualifying widow(er) with dependent child

Exemptions 6a Yourself. If someone can claim you as a dependent, do not check box 6a. 6b Spouse. Boxes checked on 6a and 6b 2. No. of children on 6c who: lived with you did not live with you due to divorce or separation (see instructions) Dependents on 6c not entered above Add numbers on lines above 2

Income 7 Wages, salaries, tips, etc. Attach Form(s) W-2 7 11,000 8a Taxable interest. Attach Schedule B if required 8a 3,140 8b Tax-exempt interest. Do not include on line 8a 8b 9a Ordinary dividends. Attach Schedule B if required 9a 9b Qualified dividends 9b 10 Taxable refunds, credits, or offsets of state and local income taxes 10 11 Alimony received 11 12 Business income or (loss). Attach Schedule C or C-EZ 12 13 Capital gain or (loss). Attach Schedule D if required. If not required, check here 13 14 Other gains or (losses). Attach Form 4797 14 15a IRA distributions 15a 15b Taxable amount 15b 16a Pensions and annuities 16a 16b Taxable amount 16b 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17 8,183 18 Farm income or (loss). Attach Schedule F 18 19 Unemployment compensation 19 20a Social security benefits 20a 20b Taxable amount 20b 21 Other income. List type and amount 21 22 Combine the amounts in the far right column for lines 7 through 21. This is your total income 22 22,323

Adjusted Gross Income 23 Educator expenses 23 24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 24 25 Health savings account deduction. Attach Form 8889 25 26 Moving expenses. Attach Form 3903 26 27 Deductible part of self-employment tax. Attach Schedule SE 27 28 Self-employed SEP, SIMPLE, and qualified plans 28 29 Self-employed health insurance deduction 29 30 Penalty on early withdrawal of savings 30 31a Alimony paid b Recipient's SSN 31a 32 IRA deduction 32 33 Student loan interest deduction 33 34 Tuition and fees. Attach Form 8917 34 35 Domestic production activities deduction. Attach Form 8903 35 36 Add lines 23 through 35 36 37 Subtract line 36 from line 22. This is your adjusted gross income 37 22,323

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form 1040 (2012)

Tax and Credits

38 Amount from line 37 (adjusted gross income) 38 22,323
39a Check if: [] You were born before January 2, 1948, [] Blind. Total boxes checked 39a
[] Spouse was born before January 2, 1948, [] Blind.
b If your spouse itemizes on a separate return or you were a dual-status alien, check here 39b []
40 Itemized deductions (from Schedule A) or your standard deduction (see left margin) 40 11,708
41 Subtract line 40 from line 38 41 10,615
42 Exemptions. Multiply \$3,800 by the number on line 6d. 42 7,600
43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- 43 3,015
44 Tax (see instructions). Check if any from: a [] Form(s) 8814 b [] Form 4972 c [] 962 election 44 302
45 Alternative minimum tax (see instructions). Attach Form 6251 45
46 Add lines 44 and 45 46 302
47 Foreign tax credit. Attach Form 1116 if required 47
48 Credit for child and dependent care expenses. Attach Form 2441 48
49 Education credits from Form 8863, line 19 49
50 Retirement savings contributions credit. Attach Form 8880 50
51 Child tax credit. Attach Schedule 8812, if required. 51
52 Residential energy credits. Attach Form 5695 52
53 Other credits from Form: a [] 3800 b [] 8801 c [] 53
54 Add lines 47 through 53. These are your total credits 54
55 Subtract line 54 from line 46. If line 54 is more than line 46, enter -0- 55 302

Other Taxes

56 Self-employment tax. Attach Schedule SE 56
57 Unreported social security and Medicare tax from Form: a [] 4137 b [] 8919 57
58 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required 58
59a Household employment taxes from Schedule H 59a
b First-time homebuyer credit repayment. Attach Form 5405 if required 59b
60 Other taxes. Enter code(s) from instructions 60
61 Add lines 55 through 60. This is your total tax 61 302

Payments

62 Federal income tax withheld from Forms W-2 and 1099 62 845
63 2012 estimated tax payments and amount applied from 2011 return 63
64a Earned income credit (EIC) 64a
b Nontaxable combat pay election 64b
65 Additional child tax credit. Attach Schedule 8812 65
66 American opportunity credit from Form 8863, line 8. 66
67 Reserved 67
68 Amount paid with request for extension to file 68
69 Excess social security and tier 1 RRTA tax withheld 69
70 Credit for federal tax on fuels. Attach Form 4136 70
71 Credits from Form: a [] 2439 b [] Reserved c [] 8801 d [] 8885 71
72 Add lines 62, 63, 64a, and 65 through 71. These are your total payments 72

Refund

73 If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you overpaid 73 543
74a Amount of line 73 you want refunded to you. If Form 8888 is attached, check here 74a 543
b Routing number c Type: [] Checking [] Savings
d Account number
75 Amount of line 73 you want applied to your 2013 estimated tax 75

Amount You Owe

76 Amount you owe. Subtract line 72 from line 61. For details on how to pay, see instructions 76
77 Estimated tax penalty (see instructions) 77

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? [] Yes. Complete below. [] No
Designee's name Phone no. Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Your signature Date Your occupation Daytime phone number
Charles R. Smith, Executor 3-25-13
Spouse's signature. If a joint return, both must sign. Date Spouse's occupation
Mary L. Smith 3-25-13
If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Print/Type preparer's name Preparer's signature Date Check [] if self-employed PTIN

Firm's name Firm's EIN Phone no.
Firm's address

**SCHEDULE A
(Form 1040)**

Itemized Deductions

OMB No. 1545-0074

2012

Attachment
Sequence No. **07**

Department of the Treasury
Internal Revenue Service (99)

► Information about Schedule A and its separate instructions is at www.irs.gov/form1040.

► Attach to Form 1040.

Name(s) shown on Form 1040

John R. (Deceased) & Mary L. Smith

Your social security number

234-00-7890

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.				
	1	Medical and dental expenses (see instructions)	6,061		
	2	Enter amount from Form 1040, line 38	22,323		
	3	Multiply line 2 by 7.5% (.075)	1,674		
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		4,387	
Taxes You Paid	5 State and local (check only one box):				
	a	<input checked="" type="checkbox"/> Income taxes, or	891		
	b	<input type="checkbox"/> General sales taxes			
	6	Real estate taxes (see instructions)	2,600		
	7	Personal property taxes			
	8	Other taxes. List type and amount ►			
	9	Add lines 5 through 8		3,491	
	Interest You Paid	10	Home mortgage interest and points reported to you on Form 1098		
		11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ►		
12		Points not reported to you on Form 1098. See instructions for special rules			
13		Mortgage insurance premiums (see instructions)			
14		Investment interest. Attach Form 4952 if required. (See instructions.)			
15		Add lines 10 through 14			
Gifts to Charity	16	Gifts by cash or check. If you made any gift of \$250 or more, see instructions.	3,830		
	17	Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500			
	18	Carryover from prior year			
	19	Add lines 16 through 18		3,830	
Casualty and Theft Losses	20	Casualty or theft loss(es). Attach Form 4684. (See instructions.)			
Job Expenses and Certain Miscellaneous Deductions	21	Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ►			
	22	Tax preparation fees			
	23	Other expenses—investment, safe deposit box, etc. List type and amount ►			
	24	Add lines 21 through 23			
	25	Enter amount from Form 1040, line 38			
	26	Multiply line 25 by 2% (.02)			
	27	Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-			
Other Miscellaneous Deductions	28	Other—from list in instructions. List type and amount ►			
Total Itemized Deductions	29	Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40		11,708	
	30	If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>			

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 17145C

Schedule A (Form 1040) 2012

SCHEDULE B
(Form 1040A or 1040)

Interest and Ordinary Dividends

OMB No. 1545-0074

2012

Attachment
Sequence No. **08**

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040A or 1040.

▶ Information about Schedule B (Form 1040A or 1040) and its instructions is at www.irs.gov/form1040.

Name(s) shown on return

John R. (Deceased) & Mary L. Smith

Your social security number

234-00-7890

Part I
Interest

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions on back and list this interest first. Also, show that buyer's social security number and address ▶

First S&L of Juneville

Mayflower Bank of Juneville

Series EE U.S. Saving Bonds -- Interest includible before decedent's death

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 8a.)

Note. If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

Amount

1,900

400

840

1

2 Add the amounts on line 1 **2** 3,140

3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815 **3** -0-

4 Subtract line 3 from line 2. Enter the result here and on Form 1040A, or Form 1040, line 8a ▶ **4** 3,140

Note. If line 4 is over \$1,500, you must complete Part III.

Part II

5 List name of payer ▶

Ordinary Dividends

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 9a.)

Note. If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

6 Add the amounts on line 5. Enter the total here and on Form 1040A, or Form 1040, line 9a ▶ **6**

Amount

Note. If line 6 is over \$1,500, you must complete Part III.

You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

Part III
Foreign Accounts and Trusts

(See instructions on back.)

7a At any time during 2012, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions

If "Yes," are you required to file Form TD F 90-22.1 to report that financial interest or signature authority? See Form TD F 90-22.1 and its instructions for filing requirements and exceptions to those requirements

b If you are required to file Form TD F 90-22.1, enter the name of the foreign country where the financial account is located ▶

8 During 2012, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions on back

Yes	No
	✓
	✓

**SCHEDULE E
(Form 1040)**

Supplemental Income and Loss

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

OMB No. 1545-0074

2012

Attachment
Sequence No. **13**

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040, 1040NR, or Form 1041.

▶ Information about Schedule E and its separate instructions is at www.irs.gov/form1040.

Name(s) shown on return

Your social security number

John R. (Deceased) & Mary L. Smith

234-00-7890

Part I Income or Loss From Rental Real Estate and Royalties Note. If you are in the business of renting personal property, use Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

A Did you make any payments in 2012 that would require you to file Form(s) 1099? (see instructions) Yes No
B If "Yes," did you or will you file required Forms 1099? Yes No

1a	Physical address of each property (street, city, state, ZIP code)				
A	137 Main Street, Juneville, ME 00000				
B					
C					
1b	Type of Property (from list below)	2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	Fair Rental Days	Personal Use Days	QJV
A	1		A 365		X
B			B		
C			C		

Type of Property:

- 1 Single Family Residence
- 2 Multi-Family Residence
- 3 Vacation/Short-Term Rental
- 4 Commercial
- 5 Land
- 6 Royalties
- 7 Self-Rental
- 8 Other (describe)

Income:	Properties:	A	B	C
3 Rents received	3	12,000		
4 Royalties received	4			
Expenses:				
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7			
8 Commissions	8			
9 Insurance	9	260		
10 Legal and other professional fees	10			
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see instructions)	12	410		
13 Other interest	13			
14 Repairs	14	350		
15 Supplies	15			
16 Taxes	16	700		
17 Utilities	17			
18 Depreciation expense or depletion	18	2,097		
19 Other (list) ▶	19			
20 Total expenses. Add lines 5 through 19	20	3,817		
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21	8,183		
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	()	()	()
23a Total of all amounts reported on line 3 for all rental properties	23a	12,000		
b Total of all amounts reported on line 4 for all royalty properties	23b			
c Total of all amounts reported on line 12 for all properties	23c	410		
d Total of all amounts reported on line 18 for all properties	23d	2,097		
e Total of all amounts reported on line 20 for all properties	23e	3,817		
24 Income. Add positive amounts shown on line 21. Do not include any losses	24	8,183		
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	()		
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26	8,183		

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 11344L

Schedule E (Form 1040) 2012

**Depreciation and Amortization
(Including Information on Listed Property)**

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

Name(s) shown on return <i>John R. (Deceased) & Mary L. Smith</i>	Business or activity to which this form relates	Identifying number <i>234-00-7890</i>
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Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1 Maximum amount (see instructions)	1	
2 Total cost of section 179 property placed in service (see instructions)	2	
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	3	
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a)	(b)
(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7 Listed property. Enter the amount from line 29	7	
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9 Tentative deduction. Enter the smaller of line 5 or line 8	9	
10 Carryover of disallowed deduction from line 13 of your 2011 Form 4562	10	
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13 Carryover of disallowed deduction to 2013. Add lines 9 and 10, less line 12 ▶	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15 Property subject to section 168(f)(1) election	15	
16 Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2012	17	1,211
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

Section B—Assets Placed in Service During 2012 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			39 yrs.	MM	S/L	

Section C—Assets Placed in Service During 2012 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year	4-12	50,000	40 yrs.	MM	S/L	886

Part IV Summary (See instructions.)

21 Listed property. Enter amount from line 28	21	
22 Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions	22	2,097
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

EXHIBIT C

Information about Form 1041 and its separate instructions is at www.irs.gov/form1041.

A Check all that apply: Decedent's estate, Simple trust, Complex trust, Qualified disability trust, ESBT (S portion only), Grantor type trust, Bankruptcy estate-Ch. 7, Bankruptcy estate-Ch. 11, Pooled income fund. B Number of Schedules K-1 attached. C Employer identification number. D Date entity created. E Nonexempt charitable and split-interest trusts. F Check applicable boxes: Initial return, Final return, Amended return, Change in fiduciary, Change in fiduciary's name, Change in fiduciary's address. G Check here if the estate or filing trust made a section 645 election.

Table with 29 rows and 3 columns. Rows include Income (1-9), Deductions (10-21), and Tax and Payments (22-29). Values include 2,250, 750, 12,000, 12,625, 2,352, 2,600, 10,025, 2,352.

Sign Here Charles R. Smith, 3-24-13, Signature of fiduciary or officer representing fiduciary, Date, EIN of fiduciary if a financial institution. May the IRS discuss this return with the preparer shown below (see instr.)? Yes No

Paid Preparer Use Only Print/Type preparer's name, Preparer's signature, Date, Check if self-employed, PTIN, Firm's name, Firm's EIN, Firm's address, Phone no.

Schedule A Charitable Deduction. Do not complete for a simple trust or a pooled income fund.			
1	Amounts paid or permanently set aside for charitable purposes from gross income (see instructions)	1	
2	Tax-exempt income allocable to charitable contributions (see instructions)	2	
3	Subtract line 2 from line 1	3	
4	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes	4	
5	Add lines 3 and 4	5	
6	Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable purposes (see instructions)	6	
7	Charitable deduction. Subtract line 6 from line 5. Enter here and on page 1, line 13	7	

Schedule B Income Distribution Deduction			
1	Adjusted total income (see instructions)	1	12,625
2	Adjusted tax-exempt interest	2	
3	Total net gain from Schedule D (Form 1041), line 15, column (1) (see instructions)	3	
4	Enter amount from Schedule A, line 4 (minus any allocable section 1202 exclusion)	4	
5	Capital gains for the tax year included on Schedule A, line 1 (see instructions)	5	
6	Enter any gain from page 1, line 4, as a negative number. If page 1, line 4, is a loss, enter the loss as a positive number	6	(200)
7	Distributable net income. Combine lines 1 through 6. If zero or less, enter -0-	7	12,425
8	If a complex trust, enter accounting income for the tax year as determined under the governing instrument and applicable local law	8	
9	Income required to be distributed currently	9	
10	Other amounts paid, credited, or otherwise required to be distributed	10	2,000
11	Total distributions. Add lines 9 and 10. If greater than line 8, see instructions	11	2,000
12	Enter the amount of tax-exempt income included on line 11	12	
13	Tentative income distribution deduction. Subtract line 12 from line 11	13	2,000
14	Tentative income distribution deduction. Subtract line 2 from line 7. If zero or less, enter -0-	14	12,425
15	Income distribution deduction. Enter the smaller of line 13 or line 14 here and on page 1, line 18	15	2,000

Schedule G Tax Computation (see instructions)			
1	Tax: a Tax on taxable income (see instructions)	1a	2,352
	b Tax on lump-sum distributions. Attach Form 4972	1b	
	c Alternative minimum tax (from Schedule I (Form 1041), line 56)	1c	-0-
	d Total. Add lines 1a through 1c	1d	2,352
2a	Foreign tax credit. Attach Form 1116	2a	
b	General business credit. Attach Form 3800	2b	
c	Credit for prior year minimum tax. Attach Form 8801	2c	
d	Bond credits. Attach Form 8912	2d	
3	Total credits. Add lines 2a through 2d	3	-0-
4	Subtract line 3 from line 1d. If zero or less, enter -0-	4	2,352
5	Recapture taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611	5	
6	Household employment taxes. Attach Schedule H (Form 1040)	6	
7	Total tax. Add lines 4 through 6. Enter here and on page 1, line 23	7	2,352

Other Information		Yes	No
1	Did the estate or trust receive tax-exempt income? If "Yes," attach a computation of the allocation of expenses. Enter the amount of tax-exempt interest income and exempt-interest dividends ▶ \$		✓
2	Did the estate or trust receive all or any part of the earnings (salary, wages, and other compensation) of any individual by reason of a contract assignment or similar arrangement?		✓
3	At any time during calendar year 2012, did the estate or trust have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country ▶		✓
4	During the tax year, did the estate or trust receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the estate or trust may have to file Form 3520. See instructions		✓
5	Did the estate or trust receive, or pay, any qualified residence interest on seller-provided financing? If "Yes," see the instructions for required attachment		✓
6	If this is an estate or a complex trust making the section 663(b) election, check here (see instructions) ▶ <input type="checkbox"/>		
7	To make a section 643(e)(3) election, attach Schedule D (Form 1041), and check here (see instructions) ▶ <input type="checkbox"/>		
8	If the decedent's estate has been open for more than 2 years, attach an explanation for the delay in closing the estate, and check here ▶ <input type="checkbox"/>		
9	Are any present or future trust beneficiaries skip persons? See instructions		✓

**SCHEDULE I
(Form 1041)**

Alternative Minimum Tax—Estates and Trusts

OMB No. 1545-0092

Department of the Treasury
Internal Revenue Service

▶ **Attach to Form 1041.**
▶ **Information about Schedule I (Form 1041) and its separate instructions is at www.irs.gov/form1041.**

2012

Name of estate or trust

Estate of John R. Smith

Employer identification number

10-0123456

Part I Estate's or Trust's Share of Alternative Minimum Taxable Income

1	Adjusted total income or (loss) (from Form 1041, line 17)	1	12,625
2	Interest	2	
3	Taxes	3	2,250
4	Miscellaneous itemized deductions (from Form 1041, line 15b)	4	
5	Refund of taxes	5	()
6	Depletion (difference between regular tax and AMT)	6	
7	Net operating loss deduction. Enter as a positive amount	7	
8	Interest from specified private activity bonds exempt from the regular tax	8	
9	Qualified small business stock (see instructions)	9	
10	Exercise of incentive stock options (excess of AMT income over regular tax income)	10	
11	Other estates and trusts (amount from Schedule K-1 (Form 1041), box 12, code A)	11	
12	Electing large partnerships (amount from Schedule K-1 (Form 1065-B), box 6)	12	
13	Disposition of property (difference between AMT and regular tax gain or loss)	13	
14	Depreciation on assets placed in service after 1986 (difference between regular tax and AMT)	14	
15	Passive activities (difference between AMT and regular tax income or loss)	15	
16	Loss limitations (difference between AMT and regular tax income or loss)	16	
17	Circulation costs (difference between regular tax and AMT)	17	
18	Long-term contracts (difference between AMT and regular tax income)	18	
19	Mining costs (difference between regular tax and AMT)	19	
20	Research and experimental costs (difference between regular tax and AMT)	20	
21	Income from certain installment sales before January 1, 1987	21	()
22	Intangible drilling costs preference	22	
23	Other adjustments, including income-based related adjustments	23	
24	Alternative tax net operating loss deduction (See the instructions for the limitation that applies.)	24	()
25	Adjusted alternative minimum taxable income. Combine lines 1 through 24	25	14,875
Note: Complete Part II below before going to line 26.			
26	Income distribution deduction from Part II, line 44	26	2,000
27	Estate tax deduction (from Form 1041, line 19)	27	
28	Add lines 26 and 27	28	2,000
29	Estate's or trust's share of alternative minimum taxable income. Subtract line 28 from line 25	29	12,875

If line 29 is:

- \$22,500 or less, stop here and enter -0- on Form 1041, Schedule G, line 1c. The estate or trust is not liable for the alternative minimum tax.
- Over \$22,500, but less than \$165,000, go to line 45.
- \$165,000 or more, enter the amount from line 29 on line 51 and go to line 52.

Part II Income Distribution Deduction on a Minimum Tax Basis

30	Adjusted alternative minimum taxable income (see instructions)	30	14,875
31	Adjusted tax-exempt interest (other than amounts included on line 8)	31	
32	Total net gain from Schedule D (Form 1041), line 15, column (1). If a loss, enter -0-	32	
33	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes (from Form 1041, Schedule A, line 4)	33	
34	Capital gains paid or permanently set aside for charitable purposes from gross income (see instructions)	34	
35	Capital gains computed on a minimum tax basis included on line 25	35	(200)
36	Capital losses computed on a minimum tax basis included on line 25. Enter as a positive amount	36	
37	Distributable net alternative minimum taxable income (DNAMTI). Combine lines 30 through 36. If zero or less, enter -0-	37	14,675
38	Income required to be distributed currently (from Form 1041, Schedule B, line 9)	38	
39	Other amounts paid, credited, or otherwise required to be distributed (from Form 1041, Schedule B, line 10)	39	2,000
40	Total distributions. Add lines 38 and 39	40	2,000
41	Tax-exempt income included on line 40 (other than amounts included on line 8)	41	
42	Tentative income distribution deduction on a minimum tax basis. Subtract line 41 from line 40	42	2,000

Part II Income Distribution Deduction on a Minimum Tax Basis *(continued)*

43	Tentative income distribution deduction on a minimum tax basis. Subtract line 31 from line 37. If zero or less, enter -0-	43	14,675	
44	Income distribution deduction on a minimum tax basis. Enter the smaller of line 42 or line 43. Enter here and on line 26	44	2,000	

Part III Alternative Minimum Tax

45	Exemption amount	45	\$22,500	00
46	Enter the amount from line 29	46		
47	Phase-out of exemption amount	47	\$75,000	00
48	Subtract line 47 from line 46. If zero or less, enter -0-	48		
49	Multiply line 48 by 25% (.25)	49		
50	Subtract line 49 from line 45. If zero or less, enter -0-	50		
51	Subtract line 50 from line 46	51		
52	Go to Part IV of Schedule I to figure line 52 if the estate or trust has qualified dividends or has a gain on lines 14a and 15 of column (2) of Schedule D (Form 1041) (as refigured for the AMT, if necessary). Otherwise, if line 51 is— • \$175,000 or less, multiply line 51 by 26% (.26). • Over \$175,000, multiply line 51 by 28% (.28) and subtract \$3,500 from the result	52		
53	Alternative minimum foreign tax credit (see instructions)	53		
54	Tentative minimum tax. Subtract line 53 from line 52	54		
55	Enter the tax from Form 1041, Schedule G, line 1a (minus any foreign tax credit from Schedule G, line 2a)	55		
56	Alternative minimum tax. Subtract line 55 from line 54. If zero or less, enter -0-. Enter here and on Form 1041, Schedule G, line 1c	56		

Part IV Line 52 Computation Using Maximum Capital Gains Rates

Caution: If you did not complete Part V of Schedule D (Form 1041), the Schedule D Tax Worksheet, or the Qualified Dividends Tax Worksheet, see the instructions before completing this part.

57	Enter the amount from line 51	57		
58	Enter the amount from Schedule D (Form 1041), line 22, line 13 of the Schedule D Tax Worksheet, or line 4 of the Qualified Dividends Tax Worksheet, whichever applies (as refigured for the AMT, if necessary)	58		
59	Enter the amount from Schedule D (Form 1041), line 14b, column (2) (as refigured for the AMT, if necessary). If you did not complete Schedule D for the regular tax or the AMT, enter -0-	59		
60	If you did not complete a Schedule D Tax Worksheet for the regular tax or the AMT, enter the amount from line 58. Otherwise, add lines 58 and 59 and enter the smaller of that result or the amount from line 10 of the Schedule D Tax Worksheet (as refigured for the AMT, if necessary)	60		
61	Enter the smaller of line 57 or line 60	61		
62	Subtract line 61 from line 57	62		
63	If line 62 is \$175,000 or less, multiply line 62 by 26% (.26). Otherwise, multiply line 62 by 28% (.28) and subtract \$3,500 from the result	63		
64	Maximum amount subject to the 0% rate	64	\$2,400	00
65	Enter the amount from line 23 of Schedule D (Form 1041), line 14 of the Schedule D Tax Worksheet, or line 5 of the Qualified Dividends Tax Worksheet in the Instructions for Form 1041, whichever applies (as figured for the regular tax). If you did not complete Schedule D or either worksheet for the regular tax, enter -0-	65		
66	Subtract line 65 from line 64. If zero or less, enter -0-	66		
67	Enter the smaller of line 57 or line 58	67		
68	Enter the smaller of line 66 or line 67	68		
69	Subtract line 68 from line 67	69		
70	Multiply line 69 by 15% (.15) If line 59 is zero or blank, skip lines 71 and 72 and go to line 73. Otherwise, go to line 71.	70		
71	Subtract line 67 from line 61	71		
72	Multiply line 71 by 25% (.25)	72		
73	Add lines 63, 70, and 72	73		
74	If line 57 is \$175,000 or less, multiply line 57 by 26% (.26). Otherwise, multiply line 57 by 28% (.28) and subtract \$3,500 from the result	74		
75	Enter the smaller of line 73 or line 74 here and on line 52	75		

**SCHEDULE D
(Form 1041)**

Department of the Treasury
Internal Revenue Service

Capital Gains and Losses

▶ Attach to Form 1041, Form 5227, or Form 990-T.
▶ Information about Schedule D (Form 1041) and its separate instructions is at
www.irs.gov/form1041.

OMB No. 1545-0092

2012

Name of estate or trust <i>Estate of John R. Smith</i>	Employer identification number <i>10-0123456</i>
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Note: Form 5227 filers need to complete *only* Parts I and II.

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

(a) Description of property (Example: 100 shares 7% preferred of "Z" Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Sales price	(e) Cost or other basis (see instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)
1a					
b Enter the short-term gain or (loss), if any, from Schedule D-1, line 1b					1b
2 Short-term capital gain or (loss) from Forms 4684, 6252, 6781, and 8824					2
3 Net short-term gain or (loss) from partnerships, S corporations, and other estates or trusts					3
4 Short-term capital loss carryover. Enter the amount, if any, from line 9 of the 2011 Capital Loss Carryover Worksheet					4 ()
5 Net short-term gain or (loss). Combine lines 1a through 4 in column (f). Enter here and on line 13, column (3) on the back ▶					5

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

(a) Description of property (Example: 100 shares 7% preferred of "Z" Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Sales price	(e) Cost or other basis (see instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)
6a <i>Coin Collection</i>	<i>4-9-12</i>	<i>9-23-12</i>	<i>3,000</i>	<i>2,800</i>	<i>200</i>
b Enter the long-term gain or (loss), if any, from Schedule D-1, line 6b					6b
7 Long-term capital gain or (loss) from Forms 2439, 4684, 6252, 6781, and 8824					7
8 Net long-term gain or (loss) from partnerships, S corporations, and other estates or trusts					8
9 Capital gain distributions					9
10 Gain from Form 4797, Part I					10
11 Long-term capital loss carryover. Enter the amount, if any, from line 14 of the 2011 Capital Loss Carryover Worksheet					11 ()
12 Net long-term gain or (loss). Combine lines 6a through 11 in column (f). Enter here and on line 14a, column (3) on the back ▶					12 <i>200</i>

Part III Summary of Parts I and II		(1) Beneficiaries' (see instr.)	(2) Estate's or trust's	(3) Total
Caution: Read the instructions before completing this part.				
13	Net short-term gain or (loss)	13		
14	Net long-term gain or (loss):			
a	Total for year	14a	200	200
b	Unrecaptured section 1250 gain (see line 18 of the wrksh.)	14b		
c	28% rate gain	14c	200	200
15	Total net gain or (loss). Combine lines 13 and 14a	15	200	200

Note: If line 15, column (3), is a net gain, enter the gain on Form 1041, line 4 (or Form 990-T, Part I, line 4a). If lines 14a and 15, column (2), are net gains, go to Part V, and **do not** complete Part IV. If line 15, column (3), is a net loss, complete Part IV and the **Capital Loss Carryover Worksheet**, as necessary.

Part IV Capital Loss Limitation

16	Enter here and enter as a (loss) on Form 1041, line 4 (or Form 990-T, Part I, line 4c, if a trust), the smaller of: a The loss on line 15, column (3) or b \$3,000	16	()
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Note: If the loss on line 15, column (3), is more than \$3,000, or if Form 1041, page 1, line 22 (or Form 990-T, line 34), is a loss, complete the **Capital Loss Carryover Worksheet** in the instructions to figure your capital loss carryover.

Part V Tax Computation Using Maximum Capital Gains Rates

Form 1041 filers. Complete this part **only** if both lines 14a and 15 in column (2) are gains, or an amount is entered in Part I or Part II and there is an entry on Form 1041, line 2b(2), and Form 1041, line 22, is more than zero.

Caution: Skip this part and complete the **Schedule D Tax Worksheet** in the instructions if:

- Either line 14b, col. (2) or line 14c, col. (2) is more than zero, or
- Both Form 1041, line 2b(1), and Form 4952, line 4g are more than zero.

Form 990-T trusts. Complete this part **only** if both lines 14a and 15 are gains, or qualified dividends are included in income in Part I of Form 990-T, and Form 990-T, line 34, is more than zero. Skip this part and complete the **Schedule D Tax Worksheet** in the instructions if either line 14b, col. (2) or line 14c, col. (2) is more than zero.

17	Enter taxable income from Form 1041, line 22 (or Form 990-T, line 34)	17		
18	Enter the smaller of line 14a or 15 in column (2) but not less than zero	18		
19	Enter the estate's or trust's qualified dividends from Form 1041, line 2b(2) (or enter the qualified dividends included in income in Part I of Form 990-T)	19		
20	Add lines 18 and 19	20		
21	If the estate or trust is filing Form 4952, enter the amount from line 4g; otherwise, enter -0-	21		
22	Subtract line 21 from line 20. If zero or less, enter -0-	22		
23	Subtract line 22 from line 17. If zero or less, enter -0-	23		
24	Enter the smaller of the amount on line 17 or \$2,400	24		
25	Is the amount on line 23 equal to or more than the amount on line 24? <input type="checkbox"/> Yes. Skip lines 25 and 26; go to line 27 and check the "No" box. <input type="checkbox"/> No. Enter the amount from line 23	25		
26	Subtract line 25 from line 24	26		
27	Are the amounts on lines 22 and 26 the same? <input type="checkbox"/> Yes. Skip lines 27 thru 30; go to line 31. <input type="checkbox"/> No. Enter the smaller of line 17 or line 22	27		
28	Enter the amount from line 26 (if line 26 is blank, enter -0-)	28		
29	Subtract line 28 from line 27	29		
30	Multiply line 29 by 15% (.15)	30		
31	Figure the tax on the amount on line 23. Use the 2012 Tax Rate Schedule for Estates and Trusts (see the Schedule G instructions in the instructions for Form 1041)	31		
32	Add lines 30 and 31	32		
33	Figure the tax on the amount on line 17. Use the 2012 Tax Rate Schedule for Estates and Trusts (see the Schedule G instructions in the instructions for Form 1041)	33		
34	Tax on all taxable income. Enter the smaller of line 32 or line 33 here and on Form 1041, Schedule G, line 1a (or Form 990-T, line 36)	34		

Final K-1

Amended K-1

**Schedule K-1
(Form 1041)**

Department of the Treasury
Internal Revenue Service

2012

For calendar year 2012,
or tax year beginning _____, 2012,
and ending _____, 20 _____

**Beneficiary's Share of Income, Deductions,
Credits, etc.**

▶ See back of form and instructions.

Part I Information About the Estate or Trust

A Estate's or trust's employer identification number
10-0123456

B Estate's or trust's name
Estate of John R. Smith

C Fiduciary's name, address, city, state, and ZIP code
Charles R. Smith, Executor
6406 Mayflower Street
Juneville, ME 00000

D Check if Form 1041-T was filed and enter the date it was filed

E Check if this is the final Form 1041 for the estate or trust

Part II Information About the Beneficiary

F Beneficiary's identifying number
123-00-6789

G Beneficiary's name, address, city, state, and ZIP code
James Smith
6407 Mayflower Street
Juneville, ME 00000

H Domestic beneficiary Foreign beneficiary

**Part III Beneficiary's Share of Current Year Income,
Deductions, Credits, and Other Items**

1	Interest income		11	Final year deductions
		300		
2a	Ordinary dividends			
		100		
2b	Qualified dividends			
		100		
3	Net short-term capital gain			
4a	Net long-term capital gain			
4b	28% rate gain		12	Alternative minimum tax adjustment
4c	Unrecaptured section 1250 gain			
5	Other portfolio and nonbusiness income			
		1,600		
6	Ordinary business income			
7	Net rental real estate income			
8	Other rental income		13	Credits and credit recapture
9	Directly apportioned deductions			
10	Estate tax deduction		14	Other information

*See attached statement for additional information.
Note. A statement must be attached showing the beneficiary's share of income and directly apportioned deductions from each business, rental real estate, and other rental activity.

For IRS Use Only

Table A. Checklist of Forms and Due Dates For Executor, Administrator, or Personal Representative

Form No.	Title	Due Date**
SS-4	Application for Employer Identification Number	As soon as possible. The identification number must be included in returns, statements, and other documents.
56	Notice Concerning Fiduciary Relationship	As soon as all necessary information is available.*
706	United States Estate (and Generation-Skipping Transfer) Tax Return	9 months after date of decedent's death.
706-A	United States Additional Estate Tax Return	6 months after cessation or disposition of special-use valuation property.
706-GS(D)	Generation-Skipping Transfer Tax Return for Distributions	Generally, April 15th of the year after the distribution.
706-GS(D-1)	Notification of Distribution From a Generation-Skipping Trust	Generally, April 15th of the year after the distribution.
706-GS(T)	Generation-Skipping Transfer Tax Return for Terminations	Generally, April 15th of the year after the taxable termination.
706-NA	United States Estate (and Generation-Skipping Transfer) Tax Return, Estate of nonresident not a citizen of the United States	9 months after date of decedent's death.
709	United State Gift (and Generation-Skipping Transfer) Tax Return	April 15th of the year after the gift was made.
712	Life Insurance Statement	Part I to be filed with estate tax return.
1040	U.S. Individual Income Tax Return	Generally, April 15th of the year after death.**
1040NR	U.S. Nonresident Alien Income Tax Return	See form instructions.
1041	U.S. Income Tax Return for Estates and Trusts	15th day of 4th month after end of estate's tax year.**
1041-T	Allocation of Estimated Tax Payments to Beneficiaries	65th day after end of estate's tax year.
1041-ES	Estimated Income Tax for Estates and Trusts	Generally, April 15th, June 15th, Sept. 15th, and Jan. 15th for calendar-year filers.**
1042	Annual Withholding Tax Return for U.S. Source Income of Foreign Persons	March 15th.**
1042-S	Foreign Person's U.S. Source Income Subject to Withholding	March 15th.**
4768	Application for Extension of Time To File a Return and/or Pay U.S. Estate (and Generation-Skipping Transfer) Taxes	See form instructions.
4810	Request for Prompt Assessment Under Internal Revenue Code Section 6501(d)	As soon as possible after filing Form 1040 or Form 1041.
4868	Application for Automatic Extension of Time To File U.S. Individual Income Tax Return	April 15th.**
5495	Request for Discharge From Personal Liability Under Internal Revenue Code Section 2204 or 6905	See form instructions.
7004	Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns	15th day of 4th month after end of estate's tax year.**
8300	Report of Cash Payments Over \$10,000 Received in a Trade or Business	15th day after the date of the transaction.
8822	Change of Address	As soon as the address is changed.

* A personal representative must report the termination of the estate, in writing, to the Internal Revenue Service. Form 56 can be used for this purpose.
** If the due date falls on a Saturday, Sunday, or legal holiday, file on the next business day.