

When a Taxpayer Dies

A plain-English tax guide for the family and personal representative

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The short answer

A death can create more than one tax filing obligation. The final Form 1040 covers the decedent through the date of death, while income received afterward may belong to the estate or beneficiary. Before distributing everything, identify the returns, refunds, income documents, and property-basis information that are still outstanding.

Start with the final Form 1040

- The filing requirement is determined under the same general rules that would have applied if the taxpayer were living - based on income, age, and filing status.
- The final individual return is generally due on the normal Form 1040 due date; the date of death during the year does not accelerate the due date.
- For a cash-basis taxpayer, the final return generally includes income actually or constructively received through the date of death.
- Medical expenses paid before death are handled under the normal itemized-deduction rules. Certain medical expenses paid by the estate within one year after death may be eligible for an election to treat them as paid by the decedent.

Who signs - and what about a refund?

Situation	General course rule
Surviving spouse filing jointly	The surviving spouse can generally sign the joint return; Form 1310 is generally not required for the joint-return refund.
Court-appointed/certified representative	The representative signs as personal representative. For an original return with a refund, Form 1310 generally is not required, but the court certificate may need to be attached.
Other personal representative	The representative may sign the return, but a refund generally requires Form 1310 and the applicable certification.

Income received after death: IRD

Income in Respect of a Decedent (IRD) is income the decedent would have received if death had not occurred but that is not properly included on the final return. It keeps the same tax character it would have had in the decedent's hands.

- Common examples include unpaid compensation for services, retirement-plan or IRA distributions, investment income, and installment-note collections.
- Depending on who is entitled to receive it, IRD may be reported by the estate, a beneficiary, or another recipient.
- When estate tax is attributable to IRD, a related income-tax deduction may be available to the ultimate recipient.

Inherited property: basis matters

A very important number

Inherited property generally receives a basis tied to its fair market value at the date of death, subject to special valuation and consistency rules. Inherited property also generally receives an automatic long-term holding period.

That basis can affect the taxable gain or loss when the beneficiary later sells the property. Keep appraisals, brokerage statements, closing statements, and other records supporting date-of-death value.

Some tax attributes do not survive the taxpayer

Item	General treatment described in the course
Net operating loss carryover	Use on the final return to the extent allowed; unused balance is generally lost.
Capital loss carryover	Generally does not pass to the estate or heirs.
Charitable contribution carryover	May be used on the final return within normal limits; unused balance is generally lost.
Investment interest carryover	Generally lost if unused on the final return.
Foreign tax credit carryover	May be available to the estate or heirs.
Suspended passive losses	Special rule: deductible on the final return only to the extent the suspended loss exceeds the basis increase at death.

Documents to gather

- Death certificate and any will or trust documents.
- Court appointment papers, if there is a court-appointed executor or administrator.
- Forms W-2, 1099, K-1, retirement statements, and other income documents.
- Brokerage and property records needed to establish date-of-death values.
- Medical bills paid before death and qualifying bills paid by the estate.
- Prior-year tax returns and information about unused losses, credits, or carryovers.
- Records of refunds still expected and income received after death.

Lenny's Take

Do not be in a hurry to close every account and distribute every dollar. A tax document, refund, retirement distribution, or other item can arrive after death and change who must report the income or who is entitled to the money. Getting the tax picture organized first can save the family a second round of paperwork later.

Forms you may hear about

Depending on the facts, the tax work may involve Form 1040 (final individual return), Form 56 (fiduciary relationship), Form 1041 (estate income tax return), Form 1310 (refund due a deceased taxpayer), Form 706 (estate tax return and possible portability election), and Form 8971 (certain beneficiary basis reporting). Not every estate needs every form.

General information only. Tax rules depend on individual facts and can change. This guide is not a substitute for advice based on your specific circumstances.