

TAX TALK
BY JEFFREY D. SKOLNICK, CPA, M.S. TAXATION

I AM THE EXECUTOR/EXECUTRIX OF AN ESTATE – WHAT DOES THIS MEAN?

What is an Executor/Executrix

An executor or executrix (if female) is named in a will as the person who is responsible for administering the estate of a deceased person. It is most often a family member. If the deceased person had no will then the court will appoint an executor.

What Does an Executor/Executrix Actually Do?

The executor has many responsibilities. The first step is generally to obtain a copy of the decedent's will. It is usually a good idea to notify either an estate attorney or an accountant as soon as possible in order for them to properly assist the executor. The will is filed with the county courthouse (called probating the will).

After Probating the Will, What Comes Next?

The next step that occurs after the funeral and probating the will is gathering the assets and liabilities of the estate.

When an individual passes away the executor is responsible for gathering each and every asset owned by the individual as well as all the liabilities owed by the individual. Each of the assets and liabilities must be valued at their fair market value at the date of death. There are also situations where the assets and liabilities must be valued 6 months after the date of death.

In 2010 there is no federal estate tax; however in 2009 any estate with a fair market value of greater than \$3,500,000 was liable for estate taxes. In 2011 this number is scheduled to be \$1,000,000. Individual states may have their own limit (for example New Jersey imposes an estate tax on all estates in excess of \$675,000). New Jersey also imposes an Inheritance tax.

Information on estates that are below the above stated thresholds must still be gathered. Even though there may be no estate tax, it is important to calculate the fair market value of assets because this serves as the cost basis to the beneficiaries of the estate. In other words when assets are distributed to beneficiaries and eventually sold the sales price less the cost basis is what determines gain or loss for the taxpayer.

Executors are responsible for administering the estate. All assets and liabilities of an individual that do not pass directly to someone else upon their death become part of

TAX TALK
BY JEFFREY D. SKOLNICK, CPA, M.S. TAXATION

their estate. The estate is responsible for paying income taxes and the executor oversees this.

Lastly, the executor is responsible for eventually closing the estate and making sure each of the beneficiaries receives their appropriate distribution.

Conclusion

The above article outlines some very basic elements of the role an executor plays. Keep in mind that there are strict deadlines to be met and that the executor is usually someone very close to the deceased and therefore may be very distraught or just not familiar with estates. For these reasons it is vital that any executor seek the advice of tax professionals familiar with these provisions.