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U.S. Federal Estate Tax

U.S. Federal estate tax may apply to the decedent's taxable estate at death and not just on the share received by a particular beneficiary. The taxable estate is the gross estate less allowable deductions.

The gross estate includes the value of all property the decedent owns partially or in full at the time of death (including real property outside the United States). The gross estate also includes the following:

1. Life insurance proceeds payable to the estate or, if the decedent owned the policy, to his or her heirs.
2. The value of certain annuities payable to the estate or the decedent's heirs.
3. The value of certain property the decedent transferred within 3 years before death.
4. Certain transfers made during the decedent's life without an adequate and full consideration in money or money's worth.
5. Property over which the decedent possessed a general power of appointment.
6. Dower or curtesy (or statutory estate) of the surviving spouse.
7. Community property to the extent of the decedent's interest as defined by applicable law.

The allowable deductions used in determining the taxable estate include:

1. Funeral expenses paid out of the estate.
2. Debts the decedent owed at the time of death.
3. The marital deduction (generally, the value of the property that passes from the estate to the surviving spouse).
4. The charitable deduction (generally, the value of the property that passes from the decedent's estate to the United States, any state, a political subdivision of a state, the District of Columbia, or to a qualifying charity for exclusively charitable purposes).
5. The state death tax deduction (generally any estate, inheritance, legacy, or succession taxes paid as the result of the decedent's death to any state or the District of Columbia).

An estate tax return must be filed if the gross estate, plus any adjusted taxable gifts and specific gift tax exemption, is more than the basic exclusion amount. The basic exclusion amount is generally equal to the filing requirement. For 2019, the basic exclusion amount is \$11,400,000.

The estate tax return and the estate taxes are due within 9 months after the date of the decedent's death. Use Form 4768 (Application for Extension of Time To File a Return and/or Pay U.S. Estate Taxes) can apply for an automatic 6-month extension of time to file and pay the tax due.

Penalties will be charged for both late filing and for late payment unless there is reasonable cause for the delay based on Section 6651. The late filing penalty will not be imposed if the taxpayer can show that the failure to file a timely return is due to reasonable cause. The law also provides for penalties for willful attempts to evade payment of tax.

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at www.kaizencpa.com or contact us through the following and talk to our professionals:

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