C E P C

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What is the federal estate tax?

The federal estate tax is a tax imposed on the transmission of property at the death of an individual (the "decedent"). The estate tax rate is 40%. In 2013 the first $5,250,000 (subject to certain adjustments) (the "exemption") passes free of tax. The tax is due nine months after death. Generally, the tax is imposed on all property that passes as part of the decedent's probate estate, property in any trust the decedent could amend or revoke at his/her death, property held in joint tenancy (except only one-half if held jointly with a spouse), property over which the decedent could designate a beneficiary (e.g., a POD bank account, life insurance on the decedent's life, retirement plan benefits, IRAs), property over which the decedent has a general power of appointment, property transferred by the decedent over which the decedent retained an interest or the power to designate who can benefit from the property, and marital trusts established by a predeceased spouse. In determining the tax, the decedent's executor can deduct debts, expenses of administration, amounts passing to charity, amounts passing to a spouse (there are special rules if the spouse is not a U.S. citizen) and taxes paid to any state.