Pioneer Bank & Trust
Trust & Investments
Local.

704 7th Ave, PO Box 729
Belle Fourche, SD 57717-0729
Phone (605) 892-3494
Fax (605) 892-2115

2001 W Omaha St, PO Box 9189
Rapid City, SD 57709-9189
Phone (605) 341-2265
Fax (605) 341-7425

140 E Jackson Blvd, PO Box 10
Spearfish, SD 57783-0010
Phone (605) 642-2725
Fax (605) 642-1736

A new worry for executors

For several years President Obama has proposed adding a requirement to the tax code for consistent basis reporting for estate and income tax reporting. There was a perception that basis mismatches were costing the Treasury considerable sums. The proposal never went anywhere.

Until this summer, that is, when it was attached to a temporary extension of highway funding. The Surface Transportation and Veterans Health Care Choice Improvement Act of 2015, signed by the President on July 31, 2015, includes a new requirement that taxpayers who receive property from a decedent use as their income tax basis the value of that property as finally determined for estate tax purposes. New reporting requirements have been created for executors of estates, who must advise both the IRS and the estate's beneficiaries of the values. New regulatory projects will have to be under way shortly at the IRS.

Although relatively few taxpayers are likely to owe higher taxes because of this law, the more important burden may be the filing requirements for executors. Fortunately, the new law only applies to property that increases federal estate taxes due. That means it doesn't affect property from estates lower than the exemption amount or property excused from taxation via the marital or charitable deduction.

According to the Joint Committee on Taxation, the new provision will raise $117 million next year, more than $1.5 billion over the next ten years. Note that although the highway funding is temporary, the "sunset" provisions don't apply to the new basis-reporting portion of the law—those are permanent.

(September 2015)