

Daily Tax Report Quotes Beth Kaufman on Carryover Basis Rules

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Daily Tax Report

The Daily Tax Report quoted Beth Shapiro Kaufman concerning proposed guidance for the modified carryover basis rules under section 1022. Basis of inherited property was determined under section 1022 for decedents who died in 2010 and elected out of the estate tax. For the complete article, please click on the link above to view a PDF.

Excerpt taken from the article.

Carryover Basis Rules Released

Of perhaps less importance to some practitioners were proposed rules (REG-107595-11) released May 8, on carryover basis for decedents who [elected out of the estate tax] in 2010, so that references to Section 1022 could be [added to the regulation].

"Even though that was only in effect for a year, people will be holding property whose basis was determined under 1022 for potentially a long time," Hughes said.

"In 2010, some people died and their assets didn't get the step up in basis because they took the 'no estate tax option,'" Beth Kaufman, member with Caplin & Drysdale told Bloomberg BNA May 8.

The code section (now repealed) that denied the fresh basis for 2010 decedents was Section 1022.

Now there are many heirs whose basis wasn't determined under Section 1014 (step up at death), but various provisions in the regulations assume that if a taxpayer inherited assets, they got a fresh basis under that section, she said.

The project was intended to amend every place in the regulations where it referred to basis under Section 1014 in order to make a reference to the fact that basis might be determined under Section 1022 instead.

"This is in many ways a housekeeping project and it clearly only applies to a very limited pool of people, those who inherited assets in 2010 from a decedent who opted out of the estate tax," Kaufman said.

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