2000 Income Tax School

DEATH OF A TAXPAYER

The death of a taxpayer raises numerous income tax issues. What happens to the basis of assets owned by the decedent? Who reports income earned by the decedent but not yet reported on a tax return? What is the holding period of assets acquired from a decedent? This chapter discusses and illustrates these issues. It includes a comprehensive example showing the income tax returns that are filed as a result of the death of a taxpayer.

BASIS OF ASSETS RECEIVED FROM A DECEDENT

GENERAL RULE

I.R.C. §1014(a)(1) gives the person who receives property from a decedent a basis in the property equal to its value at the date of the decedent's death. This general rule applies to any property that is acquired or passed from the decedent, which is broadly defined to include any property that is required to be included in the decedent's gross estate for purposes of the estate tax rules [I.R.C. §1014(b)].

> **Practitioner Note.** The decedent's estate for estate tax purposes is not necessarily identical to the decedent's probate estate. Property that avoids the probate process may be included in the estate for estate tax purposes and thus get the date-of-death basis adjustment.

Example 1. Kim Burley titled her home in the names of her daughter and herself as joint tenants with right of survivorship. Upon her death, title to her home passed by property law to her daughter without going through the probate process. For estate tax purposes, however, the value of the home was in her estate. Therefore, her daughter's basis in the home is its fair market value on the date of Kim's death.

Community Property

Also included in the date-of-death value rule is property owned by a surviving spouse as community property if at least one-half of the community property was included in the decedent's estate for estate tax purposes [I.R.C. §1014(b)(6)]. This rule applies whether the decedent's half goes to the surviving spouse or not.

Example 2. Russ and Fran Ticke are married and own a parcel of real estate as community property without the right of survivorship. Russ died in 2000 and his will passed his half of the community property to his son Woody. Since half of the community property is in Russ's estate for estate tax purposes, both halves of the community property get a date-of-death value basis.

Both halves would also get a date-of-death value basis if the property were survivorship community property that passed both halves to Fran by operation of property law.

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Observation. The basis rules are not as favorable for property that is owned by spouses as a joint tenancy created after 1976. The surviving spouse will get a date-of-death basis in only the half that passes through the estate of the first spouse to die. The half owned by the surviving spouse before death does not get adjusted to the date-of-death value.

EXCEPTIONS TO THE GENERAL RULE

There are several exceptions to the general rule. Most of the exceptions are designed to prevent taxpayers from abusing the general rule to get an increase in income tax basis.

Gifts within One Year of Death

If a taxpayer gives appreciated property to a decedent within one year before the decedent's death and the property passes back to the taxpayer or the taxpayer's spouse as a result of the decedent's death, the taxpayer (or taxpayer's spouse) has a basis in the property equal to the decedent's basis (the carryover basis from the donor) [I.R.C. §1014(e)]. Appreciated property is defined as property with a fair market value in excess of its basis on the day it is transferred to the decedent.

Property Representing Income in Respect of a Decedent

The date-of-death value basis rule does not apply to property that represents the decedent's right to receive income. The most common items of income in respect of a decedent are accounts receivable of a cash method taxpayer, retirement accounts and deferred gains on installment receivables. Since the recipient of property that represents income in respect of a decedent does not get an adjusted basis, the recipient will recognize income when the recipient receives the payment from the property right.

Example 3. Krista Ward owned an installment contract at the time of her death. The balance due on the contract was $100,000, and her gross profit ratio was 60%. The original sale price was $200,000 and Krista's basis was $80,000 for a gross profit of $120,000. Krista's estate received a $10,000 payment on the contract, of which $9,000 was interest and $1,000 was principal.

Krista's estate must report the $9,000 of interest as ordinary income and 60% of $1,000, or $600, as capital gain.

If the contract is distributed to a beneficiary (other than the buyer under the contract) in satisfaction of a specific bequest, the estate will not recognize the gain remaining at the time of the distribution, and the beneficiary will recognize gain as the remaining payments are received.

Example 4. If Krista's estate (Example 3) had distributed the contract to her son Marvin under a specific bequest before the payment was received, the estate would recognize no income, and Marvin would recognize the $9,000 of ordinary income and $600 of capital gain.

If the contract is distributed to the buyer under the contract, the estate must recognize all the remaining gain on the contract.

Example 5. If Marvin was the buyer under the contract and received the contract as a distribution from the estate before any payments were made, the estate would have to recognize 60% of $100,000, or $60,000, of capital gain at the time of the distribution.

If the contract is distributed in satisfaction of a bequest of money, income, or other specific property, the estate must recognize all of the gain remaining at the time of distribution.

Example 6. If Marvin was not the buyer under the contract but received the contract from the estate in satisfaction of a bequest of $100,000, the estate would have to recognize $60,000 of capital gain at the time of the distribution.

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Marvin would have a $100,000 basis in the contract. Therefore, upon receiving the $10,000 payment, he would report the $9,000 of interest as ordinary income but would not have to report any gain from the $1,000 principal payment.

S Corporation Stock

Taxpayers who receive S corporation stock due to the death of a shareholder after August 20, 1996, must reduce basis in the stock for any income in respect of a decedent in the corporation at the time of the first shareholder's death [I.R.C. §1367(b)(4)(B)].

Example 7. Julie inherits one-third of the stock in Jayco, a cash method S corporation, from her father, Jake. The fair market value of this stock at the date of Jake's death is $1,000,000. There is also $450,000 of accounts receivable at the date of Jake's death. If Jake died on or before August 20, 1996, Julie's basis would be $1,000,000. If Jake died after August 20, 1996, Julie's basis would be $850,000 ($450,000 ÷ 3 = $150,000 reduction).

Alternate Valuation Date Election

If the executor of the decedent's estate has elected to value the assets in the estate on the alternate valuation date (six months after the date of death) under I.R.C. §2032, then the value of assets on that date is the basis of the assets in the hands of the taxpayer that receives the property from the decedent [I.R.C. §1014(a)(2)].

Special Use Valuation

If the executor of the estate elects to value the qualifying assets in the estate under the special use valuation rules of I.R.C. §2032A, the special use value is the basis of the qualifying assets in the hands of the taxpayer that receives the property from the decedent [I.R.C. §1014(a)(3)].

Qualified Conservation Easements

The portion of a qualified conservation easement that is excluded from the decedent's estate under I.R.C. §2031(c) has a carryover basis from the decedent [I.R.C. §1014(a)(4)]. Therefore, if 40% of the value of property is excluded, then 40% of the decedent's basis will be carried over and 60% of the value of the property will receive a date-of-death value basis.

Example 8. Barry Basis paid $200,000 for land from which he later donated a conservation easement. The conservation easement was valued at 30% of the value of the property without the easement. Therefore, Barry's basis in the interest he retained is 70% of $200,000 = $140,000. At the time of Barry's death, the interest Barry retained in the land (all the rights to the property except the right to develop it) is worth $300,000. Under I.R.C. §2031(c), Barry's estate elects to exclude 40% of the $300,000 value. The estate's basis in the interest Barry retained is $236,000, calculated as follows:

Fair market value of 60% included in estate ($300,000 × 60%)	$180,000
Barry's basis in the 40% excluded from the estate ($140,000 × 40%)	56,000
Estate's basis	$236,000

Depreciation Claimed Before Date of Death

Property that is acquired from the decedent by reason of joint tenancy or tenancy in common is subject to a rule that requires the basis to be reduced by any depreciation claimed by the recipient before the decedent's death [I.R.C. §1014(b)(9)].

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Example 9. Woody Chest paid $400,000 for an apartment building and took title to it as a joint tenant with right of survivorship with his daughter, Hope. Under state law, each joint tenant received half of the income from the apartment building and was responsible for half of the expenses. At the time of Woody's death, the apartment building was worth $600,000. Woody and Hope had each claimed $80,000 of depreciation.

Because Woody had paid all of the consideration for the apartment building, its full $600,000 value is in Woody's estate for estate tax purposes. Hope's basis in the apartment building after Woody's death is calculated as follows:

Fair market value included in Woody's estate	$600,000
Less depreciation claimed by Hope before Woody's death	80,000
Hope's basis in the apartment building after Woody's death	$520,000

BENEFICIARY'S BASIS IN ASSETS

A beneficiary's basis in assets received as a distribution from an estate is determined by starting with the estate's basis in the asset and adjusting that basis by any gain or loss recognized by the estate as a result of the distribution. The estate's basis in assets received from the decedent is the date-of-death value of the asset [I.R.C. §1014(a)(1) and (b)(1)].

The estate does not recognize gain or loss upon the distribution of specific property in satisfaction of a specific bequest. Therefore, the beneficiary acquires the estate's basis in the asset.

Example 10. Lynn Post's will bequeaths her grand piano to her son, Francis. At the time of Lynn's death, the piano is worth $9,000. When Lynn's estate distributes the piano to Francis, the estate will not recognize any gain or loss, and Francis will have a $9,000 basis in the piano.

If the executor of the estate uses property to satisfy an obligation to distribute money, income, or other specific property, the estate will have to recognize any gain or loss on the distribution. Therefore, the beneficiary's basis in the property will be the estate's basis adjusted by the gain or loss recognized by the estate.

Example 11. James Purko's will bequeaths $50,000 to his daughter, Anne. To satisfy that bequest, the executor of James's estate transfers ABC stock to Anne that has a basis of $45,000 and a value of $50,000. The estate must recognize $5,000 of gain, and Anne's basis in the stock is $50,000.

BUSINESS ENTITY: EFFECT ON BASIS AT DEATH OF OWNER

The form of the business entity that owns the business assets can have a dramatic effect on the basis of the assets after the death of the owner.

Assets Held Outside the Entity or in a Sole Proprietorship

If the assets are held in the individual name of the owner or in a sole proprietorship, the assets will get the full benefit of the date-of-death value basis rules.

Example 12. Ty Till is the sole owner of 320 acres of farmland that have an income tax basis of $320,000 and a fair market value of $800,000 at the time of his death. Ty's will transfers the land equally to his son Bob and his daughter Carrie. The farmland has a basis of $800,000 in the hands of Bob and Carrie. If they sell the farmland for $800,000, they will not have to recognize any gain.

> **Practitioner Note.** The result would be the same if the farmland were owned by a limited liability company (LLC) of which Ty was the sole owner since single member LLCs are treated as sole proprietorships for purposes of federal income taxes unless the member elects to have the LLC taxed as a corporation.

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Assets Held in a Partnership or an LLC

If the assets are held in a partnership or a limited liability company (LLC) with more than one member, the partnership or LLC can make the I.R.C. §754 election to get the benefit of the date-of-death value basis at the time of the owner's death.

Example 13. Assume that the farmland in Example 12 is in an LLC. Ty Till owns 90% of the LLC and Bob and Carrie each own 5% of the LLC. If the company does not have an I.R.C. §754 election in effect, the basis of the land will remain at $320,000 following Ty's death. However, if the company makes a timely I.R.C. §754 election, the basis of the 90% inherited by Bob and Carrie is stepped up to its 90% × $800,000 = $720,000 fair market value at the date of Ty's death (or alternate valuation date, if elected for the estate). Thus the basis would be:

Outside basis of interest held by Bob	
Portion always held by Bob (5% of $320,000)	$ 16,000
Portion attributable to Ty's interest (50% of $720,000)	360,000
Total basis after Ty's death	**$376,000**
Outside basis of interest held by Carrie	
Portion always held by Carrie (5% of $320,000)	$ 16,000
Portion attributable to Ty's interest (50% of $720,000)	360,000
Total basis after Ty's death	$376,000
Inside basis of assets held by company	
Portion always held by Bob and Carrie (10% of $320,000)	$ 32,000
Portion attributable to George's interest (90% of $800,000)	720,000
Total inside basis	**$ 752,000**

If the LLC sells the farmland at its $800,000 fair market value, Bob and Carrie would only recognize $48,000 total gain between them. Assuming they are subject to the 20% capital gains rate, their total income taxes are $9,600.

> **Practitioner Note.** The income tax result is the same whether the LLC sells the farmland directly to the buyer, or if it distributed out 50% to each member, who then sold his or her interest.

Assets Held in a C Corporation

If the business assets are held in a C corporation, the basis of the shares of stock that are in the decedent's estate for estate tax purposes get a date-of-death value basis, but the assets in the corporation do not.

Example 14. Assume the farmland (Example 12) is in a C corporation. Ty Till owns 90% of the stock and Bob and Carrie each own 5% of the stock. Upon Ty's death, each of the children receives a basis stepped up to fair market value in the stock they inherited. Thus the basis to each would be the same as his or her $376,000 outside basis in Example 13.

However, the corporation retains its $320,000 basis in the farmland. If the corporation were to sell the land, it would recognize a gain of $800,000 – $320,000 = $480,000, resulting in a corporate level tax of $163,200. It would then be faced with the possibility of liquidating or remaining in existence as a personal holding company. If it liquidated, the consequences would be as follows:

Amount realized from sale of land	$ 800,000
Less corporate income tax (34% of gain of $480,000)	– 163,200
Net assets after tax	$ 636,800

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Bob and Carrie would each receive one-half of the corporation's $636,800 of assets and would report the following:

Amount realized from corporation (50% of $636,800)	$318,400
Less adjusted basis in stock	– 376,000
Capital loss	$ 57,600

If Bob and Carrie have no capital gains to use up the capital loss, it will take 20 years to use up the capital loss that they are each allowed to claim on their individual tax returns. Note that there is no way to offset the corporation's gain with the shareholders' losses.

Practitioner Note. The results would be exactly the same if the corporation had liquidated and distributed the land to the children. It would recognize gain as if the land had been sold at its fair market value. I.R.C. §336. If the corporation distributed the land to the children, they would need to come up with $163,200 of cash to put back into the corporation in order to enable it to pay its income tax. They would get no tax benefit for this contribution, except to increase basis in stock of a corporation they are immediately liquidating.

Assets Held in an S Corporation

If the business assets are held in an S corporation, most of the advantage of the date-of-death value rules is retained upon the owner's death.

Example 15. Assume the farmland (Example 12) is in an S corporation. Ty Till owns 90% of the stock and Bob and Carrie each own 5% of the stock. As in the case of a C corporation, upon Ty's death each of the children receive a $376,000 basis in the stock they inherited and the corporation retains its $320,000 basis in the farmland. If the corporation were to sell the land, it would recognize a gain of $800,000 – $320,000 = $480,000. Bob and Carrie would each report $240,000 of gain on their income tax return but would also increase their bases in their stock by $240,000. Consequently, if the corporation was liquidated after the sale of the farmland, Bob and Carrie would each have a loss from the liquidation to offset most of the gain they reported from the corporate sale of the farmland. They would each report a net gain on their income tax return as follows:

Gain from corporate sale of farmland			
Amount realized by corporation		$800,000	
Corporation's basis		320,000	
Gain realized by corporation		$480,000	
Each shareholder's share of gain			$240,000
Loss from liquidation			
Amount realized (50% of $800,000)		$400,000	
Less basis			
Basis of stock before gain	$376,000		
Plus share of corporate gain	240,000		
Total basis		– 616,000	
Loss from liquidation			– 216,000
Net gain			$ 24,000

If Bob and Carrie are both subject to the 20% maximum capital gains rate, their total income taxes on the gain is $48,000 × 20% = $9,600.

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Summary of Effect of Business Entity on Basis

The above examples illustrate the effect of different business entities on the basis of assets received from a decedent. The income tax liabilities from the sale of the assets after the death and basis adjustment are summarized in the following table for easy comparison.

Business Entity	Gain Recognized on Sale	Income Tax Due from Sale
Sole proprietorship	-0-	-0-
Partnership or LLC	$48,000	$9,600
C corporation*	$480,000	$163,200
S corporation	$48,000	$9,600

*Each of the shareholders has a $57,600 capital loss that he or she can use to reduce capital gains and ordinary income (subject to the $3,000 limit) in the current and future years. The present value of the tax savings from those deductions depends on when the deductions are claimed and the tax bracket of the income that is reduced. That present value should be subtracted from the $163,200 of taxes paid by the C corporation to compare the net tax liability with the taxes resulting from the other entities. For example, if the shareholders claimed the $57,600 capital loss as a $3,000 deduction against ordinary income in the 28% bracket each year until it was used up, the present value of the tax savings from those deductions using an 8% discount rate is $8,751 for each shareholder. Therefore, the net present value of the tax liability from holding the assets in a C corporation would be $163,200 – (2 × $8,751) = $145,698. If the shareholders each used the $57,600 capital loss to reduce capital gains in the year of the sale, they would each save $57,600 × 20% = $11,520. In that case, the net present value of the tax liability from holding the assets in a C corporation would be $163,200 – (2 × $11,520) = $140,160.

HOLDING PERIOD OF ASSETS TRANSFERRED AT DEATH

GENERAL RULE

Property that is acquired from a decedent and receives a new tax basis equal to the date-of-death value under the I.R.C. §1014 rules discussed is generally treated as being held for more than a year by the person who received the property from the decedent, regardless of the actual holding period. I.R.C. §1223(11). Therefore, most property will meet the holding period requirement of I.R.C. §1231 if it passes through a decedent's estate.

Example 16. Grace Period bought 100 shares of XYZ stock for $1,000 on January 15, 2000. When Grace died on March 20, 2000, the 1000 shares were worth $10,000. Her will gave the XYZ stock to her son, Ian. Ian sold the stock on December 15, 2000 for $25,000. His gain is calculated as follows:

Amount realized on sale	$25,000
Date-of-death value basis	10,000
Gain on sale	$15,000

To determine whether the gain is short-or long-term, Ian is treated as holding the stock for more than a year and gets long-term capital gain treatment on the $15,000 of gain.

I.R.C. §1231 PROPERTY

The automatic more-than-a-year holding period applies to I.R.C. §1231 property for purposes of meeting the holding period requirement of I.R.C. §1231(b)(1). Therefore, most property used in a trade or business gets I.R.C. §1231 treatment regardless of its holding period if it is acquired from a decedent and gets an I.R.C. §1014 basis.

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Example 17. Matthew inherited a tractor from his father on May 1, 2000. His father had purchased the tractor on March 1, 2000. Matthew used the tractor in his farming business until he sold it on December 15, 2000.

Matthew is treated as holding the tractor for more than a year under I.R.C. §1223(11). Therefore, the sale of the tractor qualifies for I.R.C. §1231 treatment and is reported on Part I of Form 4797.

Livestock

I.R.C. §1223(11) does **not treat** taxpayers as automatically meeting the 12 month or 24 month holding period for **livestock** under I.R.C. §1231(b)(3) (Rev. Rul. 75-361, 1975-2 C.B. 344). Consequently, livestock that is acquired from a decedent **must** be held for 12 months or more (24 months or more for cattle and horses) to qualify for I.R.C. §1231 treatment.

Example 18. Matthew inherited a boar from his father on May 1, 2000. His father had purchased the boar on March 1, 2000. Matthew used the boar in his farming business until he sold it on December 15, 2000.

I.R.C. §1223(11) does not apply to the boar. Therefore, the boar is not I.R.C. §1231 property. The sale would be reported on Part II of the Form 4797.

COMPREHENSIVE EXAMPLE

HYPOTHETICAL FACTS

Mortimer Kohl **died on September 26, 1999.** Mortimer is survived by his wife, Wendy; a daughter, Cindy, who is a 20-year-old college student; and a son, Dennis, who is 17 years old and a high school student.

1. Mortimer was employed by an insurance company as a computer programmer. **On the date of his death,** Mortimer had **earned $45,000** of his $60,000 salary but **had received only $42,500** because he was paid on the first and fifteenth of each month.
2. He also had one month of unused vacation, for which his **employer paid $5,000 on October 23, 1999.**
3. Mortimer's employer had **withheld $2,200** of income taxes from the paychecks sent before the date of death. (No withholding is required on checks after the date of death.)
4. Mortimer also did some consulting for small businesses on weekends and evenings. At the time of his death, he had completed 70 hours of consulting work in 1999.
5. He had been paid $3,000 for 60 of those hours.
6. He had billed a client $500 for the remaining 10 hours of work, but that client was in financial difficulty and it is unlikely that the bill will be paid.
7. Mortimer's expenses at the time of his death were $250.
8. Three years prior to his death, Mortimer wrote software for a computer game. He distributed the software through a computer bulletin board and requested users to send him $25 for the use of the software.
9. From January 1, 1999, until his death, Mortimer had received $900 from users of this software.
10. After his death, the payments continued to arrive at the rate of $100 per month.
11. Mortimer owned **100 shares** of XYZ Company stock in his name alone. He had received a **$2.00** per share **dividend on April 1, 1999.** ($200) **On September 15, 1999,** XYZ had declared a **$3.00** per share dividend to be paid to shareholders of record on **October 1, 1999.** ($300)

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12. In addition to the above income, Mortimer and Wendy had the following income and expenses for 1999:

Income	
Taxable interest	$ 300
Itemized deductions	
Medical expenses	10,000
Real property taxes	3,500
Mortgage interest	6,000
Charitable contributions	3,000

13. Mortimer had planned to pay a total of $1,000 in estimated taxes for 1999. He had made the April 15, June 15, and September 15 payments of $250 each before his death. **No one made the January 15, 2000, payment.**
14. Since Mortimer and Wendy owned everything as joint tenants **except the XYZ stock and his consulting business,** only those two assets were probated through Mortimer's estate.
15. Mortimer's will passed the XYZ company stock to Dennis and the right to receive the payments for his computer game to Cindy.
16. His will requires his estate to distribute payments received from the computer software to Cindy as they are received and gives his personal representative discretion to distribute dividends from the XYZ stock to Dennis as they are received **or** accumulate the dividends and distribute them to Dennis at a later time.
17. Wendy hired an attorney to help her probate the estate, and she served as a personal representative of the estate.
18. On August 1, 2000, Wendy paid the attorney $500 from the estate for his legal services.
19. During 2000, the estate received $325 in dividends from the XYZ stock on April 1, another $250 of dividends on August 15, and $150 of dividends on December 31. The estate also received $100 of payments from users of Mortimer's software **each month** during 2000.
20. Wendy distributed all the assets of the estate on December 15, 2000, and closed the estate on January 15, 2001.
21. At the time of distribution, the XYZ stock was worth $150 per share and there were $1,025 of accumulated dividends and $400 of accumulated computer software payments.
22. Wendy paid $100 in tax preparation fees and $200 in attorney fees out of the estate before she closed it.
23. No income was earned by the estate between January 1, 2000, and January 15, 2001.

DECEDENT'S FINAL RETURN

As the personal representative of Mortimer's estate, Wendy must file a tax return for Mortimer's final tax year ending on his date of death. Mortimer's death does not affect the due date of the return. Because Mortimer was filing on a calendar year basis before his death, his final return is due April 15, 2000.

Because Wendy did not remarry before the end of 1999 and meets the other requirements for filing a joint return, **she may elect to file a joint return.** That return must report Wendy's income for the entire calendar year 1999 and Mortimer's income for the tax year beginning January 1, 1999, and ending on the date of his death.

The joint return for the Kohls, including the Form 1040, Schedule A, Schedule C-EZ, and Schedule SE, is shown below. A line-by-line discussion of the return follows the filled-in forms.

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2000 Workbook

Form **1040** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return** **1999** (99) IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 1999, or other tax year beginning , 1999, ending , OMB No. 1545-0074

Label

(See instructions on page 18.)

Use the IRS label. Otherwise, please print or type.

LABEL HERE

Your first name and initial: *Mortimer*	Last name: *Kohl (Deceased) (DOD 9/26/99)*
If a joint return, spouse's first name and initial: *Wendy*	Last name: *Kohl*
Home address (number and street). If you have a P.O. box, see page 18. *462 Maple Street*	Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 18. *Upland, CO 80209*	

Your social security number: *150 01 6012*

Spouse's social security number: *150 02 6012*

▲ **IMPORTANT!** ▲ You **must** enter your SSN(s) above.

Presidential Election Campaign (See page 18.)

	Yes	No
Do you want $3 to go to this fund?		X
If a joint return, does your spouse want $3 to go to this fund?		X

Note. Checking "Yes" will not change your tax or reduce your refund.

Filing Status

Check only one box.

1 [ ] Single

2 [X] Married filing joint return (even if only one had income)

3 [ ] Married filing separate return. Enter spouse's social security no. above and full name here. ▶

4 [ ] Head of household (with qualifying person). (See page 18.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶

5 [ ] Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 18.)

Exemptions

6a [X] **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not** check box 6a

b [X] **Spouse**

c **Dependents:**

If more than six dependents, see page 19.

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 19)
Cindy	*Kohl*	*150 03 6012*	*Daughter*	[ ]
Dennis	*Kohl*	*150 04 6012*	*Son*	[ ]
				[ ]
				[ ]
				[ ]
				[ ]

d Total number of exemptions claimed

No. of boxes checked on 6a and 6b *2*

No. of your children on 6c who:
- **lived with you** *2*
- **did not live with you due to divorce or separation (see page 19)**

Dependents on 6c not entered above

Add numbers entered on lines above ▶ *4*

Income

Attach Copy B of your Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 20.

Enclose, but do not staple, any payment. Also, please use **Form 1040-V.**

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	*42,500*
8a	**Taxable** interest. Attach Schedule B if required	8a	*300*
b	**Tax-exempt** interest. DO NOT include on line 8a (8b)		
9	Ordinary dividends. Attach Schedule B if required	9	*200*
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 21)	10	
11	Alimony received	11	
12	Business income or (loss). Attach Schedule C or C-EZ	12	*3,650*
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ [ ]	13	
14	Other gains or (losses). Attach Form 4797	14	
15a	Total IRA distributions (15a) b Taxable amount (see page 22)	15b	
16a	Total pensions and annuities (16a) b Taxable amount (see page 22)	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation	19	
20a	Social security benefits (20a) b Taxable amount (see page 24)	20b	
21	Other income. List type and amount (see page 24)	21	
22	Add the amounts in the far right column for lines 7 through 21. This is your **total income** ▶	22	*46,650*

Adjusted Gross Income

23	IRA deduction (see page 26)	23			
24	Student loan interest deduction (see page 26)	24			
25	Medical savings account deduction. Attach Form 8853	25			
26	Moving expenses. Attach Form 3903	26			
27	One-half of self-employment tax. Attach Schedule SE	27	*258*		
28	Self-employed health insurance deduction (see page 28)	28			
29	Keogh and self-employed SEP and SIMPLE plans	29			
30	Penalty on early withdrawal of savings	30			
31a	Alimony paid b Recipient's SSN ▶	31a			
32	Add lines 23 through 31a			32	*258*
33	Subtract line 32 from line 22. This is your **adjusted gross income** ▶			33	*46,392*

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Tax and Credits

34	Amount from line 33 (adjusted gross income)		34	46,392
35a	Check if: ☐ **You** were 65 or older, ☐ Blind; ☐ **Spouse** was 65 or older, ☐ Blind. Add the number of boxes checked above and enter the total here ▶ 35a			
b	If you are married filing separately and your spouse itemizes deductions or you were a dual-status alien, see page 30 and check here ▶ 35b ☐			
36	Enter your **itemized deductions** from Schedule A, line 28, **OR standard deduction** shown on the left. **But** see page 30 to find your standard deduction if you checked any box on line 35a or 35b **or** if someone can claim you as a dependent		36	19,021
37	Subtract line 36 from line 34		37	27,371
38	If line 34 is $94,975 or less, multiply $2,750 by the total number of exemptions claimed on line 6d. If line 34 is over $94,975, see the worksheet on page 31 for the amount to enter		38	11,000
39	**Taxable income.** Subtract line 38 from line 37. If 38 is more than line 37, enter -0-		39	16,371
40	**Tax** (see page 31). Check if any tax is from **a** ☐ Form(s) 8814 **b** ☐ Form 4972 ▶		40	2,456
41	Credit for child and dependent care expenses. Attach Form 2441	41		
42	Credit for the elderly or the disabled. Attach Schedule R	42		
43	Child tax credit (see page 33)	43		
44	Education credits. Attach Form 8863	44		
45	Adoption credit. Attach Form 8839	45		
46	Foreign tax credit. Attach Form 1116 if required	46		
47	Other. Check if from **a** ☐ Form 3800 **b** ☐ Form 8396 **c** ☐ Form 8801 **d** ☐ Form (specify) _____	47		
48	Add lines 41 through 47. These are your **total credits**		48	
49	Subtract line 48 from line 40. If line 48 is more than line 40, enter -0- ▶		49	2,456

Standard Deduction for Most People

Single: $4,300

Head of household: $6,350

Married filing jointly or Qualifying widow(er): $7,200

Married filing separately: $3,600

Other Taxes

50	Self-employment tax. Attach Schedule SE		50	516
51	Alternative minimum tax. Attach Form 6251		51	
52	Social security and Medicare tax on tip income not reported to employer. Attach Form 4137		52	
53	Tax on IRAs, other retirement plans, and MSAs. Attach Form 5329 if required		53	
54	Advance earned income credit payments from Form(s) W-2		54	
55	Household employment taxes. Attach Schedule H		55	
56	Add lines 49 through 55. This is your **total tax** ▶		56	2,972

Payments

57	Federal income tax withheld from Forms W-2 and 1099	57	2,200	
58	1999 estimated tax payments and amount applied from 1998 return	58	750	
59a	**Earned income credit.** Attach Sch. EIC if you have a qualifying child			
b	Nontaxable earned income: amount ▶ _____ and type ▶ _____	59a		
60	Additional child tax credit. Attach Form 8812	60		
61	Amount paid with request for extension to file (see page 48)	61		
62	Excess social security and RRTA tax withheld (see page 48)	62		
63	Other payments. Check if from **a** ☐ Form 2439 **b** ☐ Form 4136	63		
64	Add lines 57, 58, 59a, and 60 through 63. These are your **total payments** ▶		64	2,950

Refund

65	If line 64 is more than line 56, subtract line 56 from line 64. This is the amount you **OVERPAID**		65	
66a	Amount of line 65 you want **REFUNDED TO YOU** ▶		66a	
b	Routing number ▶ c Type: ☐ Checking ☐ Savings			
d	Account number			
67	Amount of line 65 you want **APPLIED TO YOUR 2000 ESTIMATED TAX** ▶	67		

Have it directly deposited! See page 48 and fill in 66b, 66c, and 66d.

Amount You Owe

68	If line 56 is more than line 64, subtract line 64 from line 56. This is the **AMOUNT YOU OWE**. For details on how to pay, see page 49 ▶		68	22
69	Estimated tax penalty. Also include on line 68	69		

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See page 18.

Keep a copy for your records.

Your signature	Date	Your occupation	Daytime telephone number (optional)
			( )
Spouse's signature. If a joint return, BOTH must sign.	Date	Spouse's occupation	

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address			EIN
			ZIP code

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SCHEDULES A&B (Form 1040)

Department of the Treasury Internal Revenue Service (99)

Schedule A—Itemized Deductions

(Schedule B is on back)

► Attach to Form 1040. ► See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074

1999

Attachment Sequence No. 07

Name(s) shown on Form 1040: *Mortimer (Deceased) and Wendy Kohl*

Your social security number: *150 01 6012*

Medical and Dental Expenses	1	**Caution.** Do not include expenses reimbursed or paid by others. Medical and dental expenses (see page A-1)	1	10,000		
	2	Enter amount from Form 1040, line 34	2	46,932		
	3	Multiply line 2 above by 7.5% (.075)	3	3,479		
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-			4	6,521
Taxes You Paid (See page A-2.)	5	State and local income taxes	5	3,500		
	6	Real estate taxes (see page A-2)	6			
	7	Personal property taxes	7			
	8	Other taxes. List type and amount ►	8			
	9	Add lines 5 through 8			9	3,500
Interest You Paid (See page A-3.)	10	Home mortgage interest and points reported to you on Form 1098	10	6,000		
	11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ►	11			
Note. Personal interest is not deductible.	12	Points not reported to you on Form 1098. See page A-3 for special rules	12			
	13	Investment interest. Attach Form 4952 if required. (See page A-3.)	13			
	14	Add lines 10 through 13			14	6,000
Gifts to Charity If you made a gift and got a benefit for it, see page A-4.	15	Gifts by cash or check. If you made any gift of $250 or more, see page A-4	15	3,000		
	16	Other than by cash or check. If any gift of $250 or more, see page A-4. You **MUST** attach Form 8283 if over $500	16			
	17	Carryover from prior year	17			
	18	Add lines 15 through 17			18	3,000
Casualty and Theft Losses	19	Casualty or theft loss(es). Attach Form 4684. (See page A-5.)			19	
Job Expenses and Most Other Miscellaneous Deductions (See page A-5 for expenses to deduct here.)	20	Unreimbursed employee expenses—job travel, union dues, job education, etc. You **MUST** attach Form 2106 or 2106-EZ if required. (See page A-5.) ►	20			
	21	Tax preparation fees	21			
	22	Other expenses—investment, safe deposit box, etc. List type and amount ►	22			
	23	Add lines 20 through 22	23			
	24	Enter amount from Form 1040, line 34	24			
	25	Multiply line 24 above by 2% (.02)	25			
	26	Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-			26	
Other Miscellaneous Deductions	27	Other—from list on page A-6. List type and amount ►			27	
Total Itemized Deductions	28	Is Form 1040, line 34, over $126,600 (over $63,300 if married filing separately)? ☐ **No.** Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 36. ☐ **Yes.** Your deduction may be limited. See page A-6 for the amount to enter.			28	19,021

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11330X **Schedule A (Form 1040) 1999**

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SCHEDULE C-EZ (Form 1040)

Department of the Treasury Internal Revenue Service (99)

Net Profit From Business

(Sole Proprietorship)

► **Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.**

► **Attach to Form 1040 or Form 1041.** ► **See instructions on back.**

OMB No. 1545-0074

1999

Attachment Sequence No. **09A**

Name of proprietor: *Mortimer Kohl (Deceased)*

Social security number (SSN): *150 01 6012*

Part I General Information

You May Use Schedule C-EZ Instead of Schedule C Only If You:

- Had business expenses of $2,500 or less.
- Use the cash method of accounting.
- Did not have an inventory at any time during the year.
- Did not have a net loss from your business.
- Had only one business as a sole proprietor.

And You:

- Had no employees during the year.
- Are not required to file **Form 4562,** Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, on page C-3 to find out if you must file.
- Do not deduct expenses for business use of your home.
- Do not have prior year unallowed passive activity losses from this business.

A Principal business or profession, including product or service: *Computer Programming*

B Enter code from pages C-8 & 9 ►

C Business name. If no separate business name, leave blank. *Mort's Consulting*

D Employer ID number (EIN), if any

E Business address (including suite or room no.). Address not required if same as on Form 1040, page 1.

City, town or post office, state, and ZIP code

Part II Figure Your Net Profit

1	**Gross receipts. Caution:** *If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see* ***Statutory Employees*** *in the instructions for Schedule C, line 1, on page C-2 and check here* ► ☐	1	*3,900*
2	**Total expenses.** If more than $2,500, you **must** use Schedule C. See instructions	2	*250*
3	**Net profit.** Subtract line 2 from line 1. If less than zero, you **must** use Schedule C. Enter on **Form 1040, line 12,** and ALSO on **Schedule SE, line 2.** (Statutory employees **do not** report this amount on Schedule SE, line 2. Estates and trusts, enter on Form 1041, line 3.)	3	*3,650*

SCHEDULE SE (Form 1040)

Department of the Treasury Internal Revenue Service (99)

Self-Employment Tax

► **See Instructions for Schedule SE (Form 1040).**

► **Attach to Form 1040.**

OMB No. 1545-0074

1999

Attachment Sequence No. **17**

Name of person with **self-employment** income (as shown on Form 1040): *Mortimer Kohl (Deceased)*

Social security number of person with **self-employment** income ► *150 01 6012*

Section A—Short Schedule SE. Caution: *Read above to see if you can use Short Schedule SE.*

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a	1	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-2 for other income to report	2	*3,650*
3	Combine lines 1 and 2	3	*3,650*
4	**Net earnings from self-employment.** Multiply line 3 by 92.35% (.9235). If less than $400, **do not** file this schedule; you do not owe self-employment tax ►	4	*3,371*
5	**Self-employment tax.** If the amount on line 4 is: • $72,600 or less, multiply line 4 by 15.3% (.153). Enter the result here and on **Form 1040, line 50.** • More than $72,600, multiply line 4 by 2.9% (.029). Then, add $9,002.40 to the result. Enter the total here and on **Form 1040, line 50.**	5	*516*

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Line by Line Discussion of Decedent's Final Return (Pages 477–480)

Top of the Form 1040. Since this is a decedent's final return, the word "deceased," the name of the decedent, and the date of death must be written across the top of the Form 1040. In the space for the name and address, Mortimer's name is included, but the word "deceased" and the date of death is written in parentheses after his name. His social security number is reported the same as on previous joint returns he filed with Wendy.

Filing Status. Because Wendy and the estate have agreed to file a joint return, the box on line 2 is checked.

Exemptions. The dependency exemption rules work the same for a decedent's last return as for any other return. Since Mortimer and Wendy provided over half of the support for Cindy and Dennis and meet the other requirements for claiming them as dependents, Cindy's and Dennis's names, social security numbers, and relationships to Mortimer and Wendy are reported on line 6c. In some cases, the decedent may support a dependent until the time of death and a different taxpayer may support that dependent after the date of death. **In such cases, the account of support provided by each party must be compared to determine who is eligible to claim the dependency exemption.** In this case, four exemptions are claimed on line 6e.

Wages (Line 7 of Form 1040). Mortimer used the cash method of accounting, so only the $42,500 of wages he had received by the date of death are included on his final return. The $2,500 of wages earned but not paid and the $5,000 pay for unused vacation time are included in the income of his estate because they were paid after his date of death and before the estate was closed.

Interest Income (Line 8 of Form 1040). Since all of the interest earned during 1999 was earned on accounts owned by Mortimer and Wendy as joint tenants, there is no need to sort the interest according to the date of death. The interest earned before the date of death belongs to both Mortimer and Wendy. The interest earned after the date of death belongs to Wendy because she becomes the owner of the accounts as of the date of death. The estate never owned the accounts and therefore reports none of the interest income.

Dividend Income (Line 9 of Form 1040). Since the XYZ stock passes through Mortimer's estate to Dennis, the timing of the dividends paid on the stock affects which individual must report the dividends as income. **Treas. Reg. §1.301-1(b) states that dividends must be included in income when the "cash or other property is unqualifiedly made subject to [the distributee's] demands."** (Therefore, since the dividends declared on September 15 were paid after Mortimer's death, they are not included on his final return.) Only the $200 of dividends Mortimer received in April are reported on line 9 of Form 1040.

Business Income or Loss (Line 12 of Form 1040). A Schedule C-EZ is completed to report Mortimer's income and expenses from his computer consulting and payments received from users of his software. Since he used the cash method of accounting, only payments received by the date of death are included on this return. Consequently, the $3,000 of payments for consulting and the $900 of payments from users of his software are reported on line 1 of Schedule C-EZ (Form 1040). His $250 of expenses are reported on line 2, and the net $3,650 of income is reported on line 3 of Schedule C-EZ and on line 12 of Form 1040.

One-Half of Self-Employment Tax (Line 27 of Form 1040). The self-employment tax on Mortimer's Schedule C-EZ income is calculated on Schedule SE (Form 1040) in the same manner as if he were alive. Therefore, the $3,650 of net income is entered on line 2 and again on line 3. The line 3 amount is multiplied by 0.9235 and the $3,371 result reported on line 4. The $3,371 is then multiplied by the 15.3% tax rate, and the $516 result is reported on line 5 of Schedule SE (Form 1040). One-half of that tax is reported on line 25 of Form 1040.

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Itemized Deductions (Line 36 of Form 1040). Wendy and Mortimer's joint return calculates the itemized deductions in the normal manner on Schedule A (Form 1040). Their $10,000 of medical expenses are reduced by 7.5% of their $46,932 adjusted gross income. The remaining $6,251 is added to their $3,500 of real estate taxes, $6,000 of home mortgage interest, and $3,000 of gifts to charity for a total itemized deduction of $19,021. That amount is reported on line 34 of Form 1040.

Personal Exemption Deduction (Line 38 of Form 1040). The personal exemption deduction for this joint return is calculated using the four exemptions the Kohls are allowed to claim. Consequently, $11,000 is entered on line 38 of Form 1040.

Payments. Taxes that were withheld from Mortimer's paycheck as well as estimated payments made by either Mortimer or Wendy are reported on lines 54 and 55, respectively. Since Wendy did not make the estimated payment for January 15, 1994, she is potentially liable for an underpayment penalty. However, in this case, the total payment of $2,950 is 95% of the $3,212 taxes due. **Since she satisfies the 90% payment rule, there is no penalty.**

> **Practitioner Note.** If a decedent is single, there is no requirement to make estimated payments after his or her death.

Signatures. Wendy must sign this return twice; once as personal representative for Mortimer's estate and a second time as Mortimer's spouse. She must write "personal representative" after her signature for the estate and "filing as surviving spouse" after signature for herself.

FIRST INCOME TAX RETURN OF THE DECEDENT'S ESTATE

As personal representative of Mortimer's estate, Wendy must also file a Form 1041 fiduciary income tax return for the estate. On this return, she must report income received by the estate after the date of death and before the end of the estate's first tax year.

There is a distribution deduction for any income that is required to be distributed to beneficiaries and any income that is actually distributed to beneficiaries during the tax year.

Wendy can choose to end the first tax year on the last day of any month that does not make the first tax year exceed 12 months. Therefore, Wendy could choose the last day of any month from September 1999 through August 2000. The return is due on the fifteenth day of the fourth month following the end of the first tax year.

Since the software payments must be distributed as they are received, they cannot be held in the estate to be taxed at the estate's income tax rate. By contrast, the XYZ stock dividends can use up the estate's $600 exemption deduction and the excess over $600 taxed at the estate's tax rate if Wendy chooses a tax year that ends after the dividends are received but before they are distributed to Dennis. Consequently, Wendy chooses to end the first tax year on August 31, 2000, and to wait until after that date to make any distributions to Dennis.

The Form 1041 and Schedule K-1 for the estate are shown below. A line-by-line discussion follows the filled-in forms.

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2000 Workbook

Form **1041** Department of the Treasury—Internal Revenue Service
U.S. Income Tax Return for Estates and Trusts **1999**

For calendar year 1999 or fiscal year beginning ***September 26***, 1999, and ending ***August 31***, ***2000*** OMB No. 1545-0092

A Type of entity:
- [X] Decedent's estate
- [ ] Simple trust
- [ ] Complex trust
- [ ] Grantor type trust
- [ ] Bankruptcy estate–Ch. 7
- [ ] Bankruptcy estate–Ch. 11
- [ ] Pooled income fund

B Number of Schedules K-1 attached (see instructions) ▶

Name of estate or trust (If a grantor type trust, see page 8 of the instructions.)
Estate of Mortimer Kohl

Name and title of fiduciary
Wendy Kohl, Personal Representative

Number, street, and room or suite no. (If a P.O. box, see page 8 of the instructions.)
462 Maple Street

City or town, state, and ZIP code
Upland, CO 80209

C Employer identification number
15 : 0056012

D Date entity created
09 / 26 /

E Nonexempt charitable and split-interest trusts, check applicable boxes (see page 10 of the instructions):
- [ ] Described in section 4947(a)(1)
- [ ] Not a private foundation
- [ ] Described in section 4947(a)(2)

F Check applicable boxes: [X] Initial return [ ] Final return [ ] Amended return [ ] Change in fiduciary's name [ ] Change in fiduciary's address

G Pooled mortgage account (see page 10 of the instructions): [ ] Bought [ ] Sold Date:

Income	1	Interest income	1	
	2	Ordinary dividends	2	875
	3	Business income or (loss) (attach Schedule C or C-EZ (Form 1040))	3	1,100
	4	Capital gain or (loss) (attach Schedule D (Form 1041))	4	
	5	Rents, royalties, partnerships, other estates and trusts, etc. (attach Schedule E (Form 1040))	5	
	6	Farm income or (loss) (attach Schedule F (Form 1040))	6	
	7	Ordinary gain or (loss) (attach Form 4797)	7	
	8	Other income. List type and amount ***salary and vacation pay***	8	7,500
	9	**Total income.** Combine lines 1 through 8 ▶	9	9,475
Deductions	10	Interest. Check if Form 4952 is attached ▶ [ ]	10	
	11	Taxes	11	
	12	Fiduciary fees	12	
	13	Charitable deduction (from Schedule A, line 7)	13	
	14	Attorney, accountant, and return preparer fees	14	500
	15a	Other deductions NOT subject to the 2% floor (attach schedule)	15a	
	b	Allowable miscellaneous itemized deductions subject to the 2% floor	15b	
	16	**Total.** Add lines 10 through 15b	16	500
	17	Adjusted total income or (loss). Subtract line 16 from line 9. Enter here and on Schedule B, line 1 ▶	17	8,975
	18	Income distribution deduction (from Schedule B, line 15) (attach Schedules K-1 (Form 1041))	18	1,100
	19	Estate tax deduction (including certain generation-skipping taxes) (attach computation)	19	
	20	Exemption	20	600
	21	**Total deductions.** Add lines 18 through 20 ▶	21	1,700
Tax and Payments	22	Taxable income. Subtract line 21 from line 17. If a loss, see page 14 of the instructions	22	7,275
	23	**Total tax** (from Schedule G, line 8)	23	1,960
	24	**Payments: a** 1999 estimated tax payments and amount applied from 1998 return	24a	
	b	Estimated tax payments allocated to beneficiaries (from Form 1041-T)	24b	
	c	Subtract line 24b from line 24a	24c	
	d	Tax paid with extension of time to file: [ ] Form 2758 [ ] Form 8736 [ ] Form 8800	24d	
	e	Federal income tax withheld. If any is from Form(s) 1099, check ▶ [ ]	24e	
		Other payments: **f** Form 2439 ; **g** Form 4136 ; Total ▶	24h	
	25	**Total payments.** Add lines 24c through 24e, and 24h ▶	25	
	26	Estimated tax penalty (see page 15 of the instructions)	26	
	27	**Tax due.** If line 25 is smaller than the total of lines 23 and 26, enter amount owed	27	1,960
	28	**Overpayment.** If line 25 is larger than the total of lines 23 and 26, enter amount overpaid	28	
	29	Amount of line 28 to be: **a Credited to 2000 estimated tax** ▶ ; **b Refunded** ▶	29	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than fiduciary) is based on all information of which preparer has any knowledge.

Signature of fiduciary or officer representing fiduciary | Date | ▶ EIN of fiduciary if a financial institution (see page 5 of the instructions)

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ▶ [X] | **Preparer's SSN or PTIN** ***150 - 09 - 6012***

Firm's name (or yours if self-employed) and address ▶ ***Pam Jones*** ***69 Main Street*** | EIN ▶ | ZIP code ▶ ***80209***

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2000 Workbook

Schedule A Charitable Deduction. Do not complete for a simple trust or a pooled income fund.

1	Amounts paid or permanently set aside for charitable purposes from gross income (see page 15)	1		
2	Tax-exempt income allocable to charitable contributions (see page 16 of the instructions)	2		
3	Subtract line 2 from line 1	3		
4	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes	4		
5	Add lines 3 and 4	5		
6	Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable purposes (see page 16 of the instructions)	6		
7	**Charitable deduction.** Subtract line 6 from 5. Enter here and on page 1, line 13	7		

Schedule B Income Distribution Deduction

1	Adjusted total income (from page 1, line 17) (see page 16 of the instructions)	1	8,975	
2	Adjusted tax-exempt interest	2		
3	Total net gain from Schedule D (Form 1041), line 16, column (1) (see page 16 of the instructions)	3		
4	Enter amount from Schedule A, line 4 (reduced by any allocable section 1202 exclusion)	4		
5	Capital gains for the tax year included on Schedule A, line 1 (see page 16 of the instructions)	5		
6	Enter any gain from page 1, line 4, as a negative number. If page 1, line 4, is a loss, enter the loss as a positive number	6		
7	**Distributable net income (DNI).** Combine lines 1 through 6. If zero or less, enter -0-	7	8,975	
8	If a complex trust, enter accounting income for the tax year as determined under the governing instrument and applicable local law — 8: 8,975			
9	Income required to be distributed currently	9	1,100	
10	Other amounts paid, credited, or otherwise required to be distributed	10		
11	Total distributions. Add lines 9 and 10. If greater than line 8, see page 17 of the instructions	11	1,100	
12	Enter the amount of tax-exempt income included on line 11	12		
13	Tentative income distribution deduction. Subtract line 12 from line 11	13	1,100	
14	Tentative income distribution deduction. Subtract line 2 from line 7. If zero or less, enter -0-	14	8,975	
15	**Income distribution deduction.** Enter the smaller of line 13 or line 14 here and on page 1, line 18	15	1,100	

Schedule G Tax Computation (see page 17 of the instructions)

1	**Tax:** a ☐ Tax rate schedule or ☐ Schedule D (Form 1041)	1a	1,960		
	b Tax on lump-sum distributions (attach Form 4972)	1b			
	c Total. Add lines 1a and 1b ▶			1c	1,960
2a	Foreign tax credit (attach Form 1116)	2a			
b	Check: ☐ Nonconventional source fuel credit ☐ Form 8834	2b			
c	General business credit. Enter here and check which forms are attached: ☐ Form 3800 or ☐ Forms (specify) ▶	2c			
d	Credit for prior year minimum tax (attach Form 8801)	2d			
3	**Total credits.** Add lines 2a through 2d ▶			3	
4	Subtract line 3 from line 1c			4	1,960
5	Recapture taxes. Check if from: ☐ Form 4255 ☐ Form 8611			5	
6	Alternative minimum tax (from Schedule I, line 39)			6	
7	Household employment taxes. Attach Schedule H (Form 1040)			7	
8	**Total tax.** Add lines 4 through 7. Enter here and on page 1, line 23 ▶			8	1,960

Other Information

		Yes	No
1	Did the estate or trust receive tax-exempt income? If "Yes," attach a computation of the allocation of expenses. Enter the amount of tax-exempt interest income and exempt-interest dividends ▶ $		X
2	Did the estate or trust receive all or any part of the earnings (salary, wages, and other compensation) of any individual by reason of a contract assignment or similar arrangement?		X
3	At any time during calendar year 1999, did the estate or trust have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See page 18 of the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country ▶		X
4	During the tax year, did the estate or trust receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the estate or trust may have to file Form 3520. See page 19 of the instructions		X
5	Did the estate or trust receive, or pay, any qualified residence interest on seller-provided financing? If "Yes," see page 19 for required attachment		X
6	If this is an estate or a complex trust making the section 663(b) election, check here (see page 19) ▶ ☐		
7	To make a section 643(e)(3) election, attach Schedule D (Form 1041), and check here (see page 19) ▶ ☐		
8	If the decedent's estate has been open for more than 2 years, attach an explanation for the delay in closing the estate, and check here ▶ ☐		
9	Are any present or future trust beneficiaries skip persons? See page 19 of the instructions		X

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Schedule I **Alternative Minimum Tax** (see pages 19 through 24 of the instructions)

Part I—Estate's or Trust's Share of Alternative Minimum Taxable Income

1	Adjusted total income or (loss) (from page 1, line 17)				1	8,975
2	Net operating loss deduction. Enter as a positive amount				2	
3	Add lines 1 and 2				3	8,975
4	**Adjustments and tax preference items:**					
a	Interest	4a				
b	Taxes	4b				
c	Miscellaneous itemized deductions (from page 1, line 15b)	4c				
d	Refund of taxes	4d	(	)		
e	Depreciation of property placed in service after 1986	4e				
f	Circulation and research and experimental expenditures	4f				
g	Mining exploration and development costs	4g				
h	Long-term contracts entered into after February 28, 1986	4h				
i	Amortization of pollution control facilities	4i				
j	Installment sales of certain property	4j				
k	Adjusted gain or loss (including incentive stock options)	4k				
l	Certain loss limitations	4l				
m	Tax shelter farm activities	4m				
n	Passive activities	4n				
o	Beneficiaries of other trusts or decedent's estates	4o				
p	Tax-exempt interest from specified private activity bonds	4p				
q	Depletion	4q				
r	Accelerated depreciation of real property placed in service before 1987	4r				
s	Accelerated depreciation of leased personal property placed in service before 1987	4s				
t	Intangible drilling costs	4t				
u	Other adjustments	4u				
5	Combine lines 4a through 4u				5	8,975
6	Add lines 3 and 5				6	
7	Alternative tax net operating loss deduction (see page 22 of the instructions for limitations)				7	
8	Adjusted alternative minimum taxable income. Subtract line 7 from line 6. Enter here and on line 13				8	8,975
	Note: *Complete Part II below before going to line 9.*					
9	Income distribution deduction from line 27 below	9	1,100			
10	Estate tax deduction (from page 1, line 19)	10				
11	Add lines 9 and 10				11	1,100
12	Estate's or trust's share of alternative minimum taxable income. Subtract line 11 from line 8				12	7,785

If line 12 is:

- $22,500 or less, stop here and enter -0- on Schedule G, line 6. The estate or trust is not liable for the alternative minimum tax.
- Over $22,500, but less than $165,000, go to line 28.
- $165,000 or more, enter the amount from line 12 on line 34 and go to line 35.

Part II—Income Distribution Deduction on a Minimum Tax Basis

13	Adjusted alternative minimum taxable income (from line 8)	13	8,975	
14	Adjusted tax-exempt interest (other than amounts included on line 4p)	14		
15	Total net gain from Schedule D (Form 1041), line 16, column (1). If a loss, enter -0-	15		
16	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes (from Schedule A, line 4)	16		
17	Capital gains paid or permanently set aside for charitable purposes from gross income (see page 23 of the instructions)	17		
18	Capital gains computed on a minimum tax basis included on line 8	18	(	)
19	Capital losses computed on a minimum tax basis included on line 8. Enter as a positive amount	19		
20	Distributable net alternative minimum taxable income (DNAMTI). Combine lines 13 through 19. If zero or less, enter -0-	20	8,975	
21	Income required to be distributed currently (from Schedule B, line 9)	21	1,100	
22	Other amounts paid, credited, or otherwise required to be distributed (from Schedule B, line 10)	22		
23	Total distributions. Add lines 21 and 22	23	1,100	
24	Tax-exempt income included on line 23 (other than amounts included on line 4p)	24		
25	Tentative income distribution deduction on a minimum tax basis. Subtract line 24 from line 23	25	1,100	
26	Tentative income distribution deduction on a minimum tax basis. Subtract line 14 from line 20. If zero or less, enter -0-	26	8,975	
27	**Income distribution deduction on a minimum tax basis.** Enter the smaller of line 25 or line 26. Enter here and on line 9	27	1,100	

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2000 Workbook

SCHEDULE C-EZ (Form 1040)

Department of the Treasury Internal Revenue Service (99)

Net Profit From Business

(Sole Proprietorship)

► Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.

► Attach to Form 1040 or Form 1041. ► See instructions on back.

OMB No. 1545-0074

1999

Attachment Sequence No. **09A**

Name of proprietor: ***Mortimer Kohl (Deceased)***

Social security number (SSN): ***150 01 6012***

Part I General Information

You May Use Schedule C-EZ Instead of Schedule C Only If You:

- Had business expenses of $2,500 or less.
- Use the cash method of accounting.
- Did not have an inventory at any time during the year.
- Did not have a net loss from your business.
- Had only one business as a sole proprietor.

And You:

- Had no employees during the year.
- Are not required to file **Form 4562,** Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, on page C-3 to find out if you must file.
- Do not deduct expenses for business use of your home.
- Do not have prior year unallowed passive activity losses from this business.

A Principal business or profession, including product or service: ***Computer Programming***

B Enter code from pages C-8 & 9 ►

C Business name. If no separate business name, leave blank. ***Mort's Consulting***

D Employer ID number (EIN), if any

E Business address (including suite or room no.). Address not required if same as on Form 1040, page 1.

City, town or post office, state, and ZIP code

Part II Figure Your Net Profit

1	**Gross receipts. Caution:** *If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see* ***Statutory Employees*** *in the instructions for Schedule C, line 1, on page C-2 and check here* ► ☐	1	*1,100*
2	**Total expenses.** If more than $2,500, you **must** use Schedule C. See instructions	2	*0*
3	**Net profit.** Subtract line 2 from line 1. If less than zero, you **must** use Schedule C. Enter on **Form 1040, line 12,** and ALSO on **Schedule SE, line 2.** (Statutory employees **do not** report this amount on Schedule SE, line 2. Estates and trusts, enter on Form 1041, line 3.)	3	*1,100*

SCHEDULE K-1 (Form 1041)

Department of the Treasury Internal Revenue Service

Beneficiary's Share of Income, Deductions, Credits, etc.

for the calendar year 2000, or fiscal year beginning *Sept. 26* **, 2000, ending** *August 31* **, 20** *00*

► Complete a separate Schedule K-1 for each beneficiary.

OMB No. 1545-0092

1999

Name of trust or decedent's estate: ***Estate of Mortimer Kohl***

☐ Amended K-1

☐ Final K-1

Beneficiary's identifying number ► ***150-03-6012***

Estate's or trust's EIN ► ***15 0056012***

Beneficiary's name, address, and ZIP code:

Cindy Kohl
462 Maple Street
Upland, CO 80209

Fiduciary's name, address, and ZIP code:

Wendy Kohl, Personal Representative
462 Maple
Upland, CO 80209

	(a) Allocable share item		(b) Amount	(c) Calendar year 2000 Form 1040 filers enter the amounts in column (b) on:
1	Interest	1		Schedule B, Part I, line 1
2	Ordinary dividends	2		Schedule B, Part II, line 5
3	Net short-term capital gain	3		Schedule D, line 5
4	Net long-term capital gain: **a** 28% rate gain	4a		Schedule D, line 12, column (g)
b	Unrecaptured section 1250 gain	4b		Line 11 of the worksheet for Schedule D, line 25
c	Total for year	4c	*1,100*	Schedule D, line 12, column (f)

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Line by Line Discussion of Decedent's Final Return (Pages 483–486)

Top of the Form. The line under the heading of the return is filled in so that it reads "For the calendar year 1999 or fiscal year beginning September 26, 1999, and ending August 31, 2000." "Estate of Mortimer Kohl" is entered in the name of estate block, and Wendy's name and address are entered in the name of the fiduciary and address blocks. In block A, the "Decedent's estate" block is checked. Since only one beneficiary received a distribution in the tax year covered by this return, a 1 is entered in block B. The employer identification number obtained for the estate by filing a Form SS-4 is entered in block C. Mortimer's date of death is entered in block D. Block E is left blank. The Initial return box is checked in block F, and block G is left blank.

Dividends (Line 2 of Form 1041). The $875 of dividends received on October 1, 1999 ($300), April 1, 2000 ($325), and August 15, 2000 ($250), is entered on line 2.

Business Income (Line 3 of Form 1041). The estate must complete a Schedule C-EZ (Form 1040) to report the $1,100 of software payments received from October 1999 through August 2000. Since there were no business expenses, that amount is also reported on line 3 of Form 1041. **Note that these payments are not subject to the self-employment tax.**

Other Income (Line 8 of Form 1041). On line 8, the estate must write in "Salary and vacation pay" and report the total of $7,500 received on that line.

> **Observation.** Since Mortimer was a cash basis taxpayer, the $500 in consulting fees that were never paid to Mortimer or his estate are never reported as income. Since this debt has no tax basis to a cash basis taxpayer, there is no bad debt loss to report.

Total (Line 9 of Form 1041). The $9,475 of income received by the estate is reported on line 9.

Attorney Fees (Line 14 of Form 1041). The $500 in attorney fees paid by the estate is reported on line 14 of Form 1041.

Income Distribution Deduction (Line 18 of Form 1041). The income distribution deduction is calculated on Schedule B of Form 1041. That deduction is limited to the lesser of the estate's income or the amount distributed to beneficiaries. In this case, the deduction is the $1,100 of software payments that were distributed to Cindy.

A Schedule K-1 must be filled out to report the distribution made to Cindy. Since no distributions were made to Dennis, no Schedule K-1 is required for him.

Claiming the income distribution deduction requires the estate to complete Schedule H (Form 1041)—Alternative Minimum Tax. In this case there are no tax preferences or adjustments, so the income distribution deduction on a minimum tax basis is the same as the income distribution deduction from Schedule B (Form 1041). Since the fiduciary's share of alternative minimum taxable income [line 12 of Schedule I (Form 1041)] is less than $20,000, there is no alternative minimum tax for the estate and Part III of Schedule I (Form 1041) does not have to be completed.

Exemption (Line 20 of Form 1041). Estates are allowed to claim a $600 exemption except in the final year.

Total Tax (Line 23 of Form 1041). Schedule G (Form 1041) is completed to calculate the estate's income taxes. Wendy uses the 1999 tax rates, which are as follows:

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Taxable income	Tax
Not over $1,750	15% of taxable income
Over $1,750 but not over $4,050	$262.50 plus 28% of the excess over $1,750
Over $4,050 but not over $6,200	$906.50 plus 31% of the excess over $4,050
Over $6,200 but not over $8,450	$1,573.00 plus 36% of the excess over $6,200
Over $8,450	$2,383 plus 39.6% of the excess over $8,450

The $1,960 of taxes is reported on line 8 of Schedule G (Form 1041) and is carried to line 23 of Form 1041. Since no estimated payments were made for the estate, the $1,960 of taxes due are reported on line 27 of Form 1041. There is no penalty for failure to pay estimated taxes since estates are **exempt** from paying estimated taxes for the **first two years** after the decedent's death.

Observation. Because the tax rates for trusts and estates allow only $1,750 of taxable income to be taxed in the 15% bracket and another $2,300 to be taxed in the 28% bracket, it is important to distribute almost all of the estate's income to prevent it from being taxed at a rate higher than the beneficiaries' marginal tax rate.

Signatures. Wendy must sign as the fiduciary but does not fill in her social security number because she is an individual. Since Pam Jones is a paid preparer for this return, she must also sign it.

FINAL RETURN OF THE DECEDENT'S ESTATE

Since the estate was closed on January 15, 2001, Wendy must file a final income tax return for the estate for the tax year September 1, 2000, through January 15, 2001. Since all income for this tax year was distributed to beneficiaries, the estate owes no income taxes.

The Form 1041 and Schedule K-1 for the final year are shown below.

Cindy is required to report only $250 of income even though she received a $400 distribution because the estate's DNI is only $250. Dennis is not required to report income since Cindy's tier one (required) distributions were more than the estate's DNI.

Observation. If the estate's DNI were $500, then Cindy would report $400 of income and Dennis would report $100 of income.

Observation. If the distributions to Cindy and Dennis were both tier one (required) distributions or were both tier two (other than required) distributions (and the estate's DNI were $250), then Cindy and Dennis would each report a pro rata share of the $250 DNI calculated as follows:

Cindy's income:

$250 × $400 ÷ $500 = $181.82

Dennis's income:

$250 × $150 ÷ $550 = $68.18

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2000 Workbook

Form **1041** Department of the Treasury—Internal Revenue Service

U.S. Income Tax Return for Estates and Trusts

2000

For calendar year 1999 or fiscal year beginning *September 1*, 1999, and ending *January 15*, *2001*

OMB No. 1545-0092

A Type of entity:
- [X] Decedent's estate
- [ ] Simple trust
- [ ] Complex trust
- [ ] Grantor type trust
- [ ] Bankruptcy estate–Ch. 7
- [ ] Bankruptcy estate–Ch. 11
- [ ] Pooled income fund

B Number of Schedules K-1 attached (see instructions) ▶

Name of estate or trust (If a grantor type trust, see page 8 of the instructions.)
Estate of Mortimer Kohl

Name and title of fiduciary
Wendy Kohl, Personal Representative

Number, street, and room or suite no. (If a P.O. box, see page 8 of the instructions.)
462 Maple Street

City or town, state, and ZIP code
Upland, CO 80209

C Employer identification number
15 : 0056012

D Date entity created
09 / 26 / 1999

E Nonexempt charitable and split-interest trusts, check applicable boxes (see page 10 of the instructions):
- [ ] Described in section 4947(a)(1)
- [ ] Not a private foundation
- [ ] Described in section 4947(a)(2)

F Check applicable boxes: [ ] Initial return [X] Final return [ ] Amended return [ ] Change in fiduciary's name [ ] Change in fiduciary's address

G Pooled mortgage account (see page 10 of the instructions): [ ] Bought [ ] Sold Date:

Income	1	Interest income	1	
	2	Ordinary dividends	2	150
	3	Business income or (loss) (attach Schedule C or C-EZ (Form 1040))	3	400
	4	Capital gain or (loss) (attach Schedule D (Form 1041))	4	
	5	Rents, royalties, partnerships, other estates and trusts, etc. (attach Schedule E (Form 1040))	5	
	6	Farm income or (loss) (attach Schedule F (Form 1040))	6	
	7	Ordinary gain or (loss) (attach Form 4797)	7	
	8	Other income. List type and amount	8	
	9	**Total income.** Combine lines 1 through 8 ▶	9	550
Deductions	10	Interest. Check if Form 4952 is attached ▶ [ ]	10	
	11	Taxes	11	
	12	Fiduciary fees	12	
	13	Charitable deduction (from Schedule A, line 7)	13	
	14	Attorney, accountant, and return preparer fees	14	300
	15a	Other deductions NOT subject to the 2% floor (attach schedule)	15a	
	b	Allowable miscellaneous itemized deductions subject to the 2% floor	15b	
	16	**Total.** Add lines 10 through 15b	16	300
	17	Adjusted total income or (loss). Subtract line 16 from line 9. Enter here and on Schedule B, line 1 ▶	17	250
	18	Income distribution deduction (from Schedule B, line 15) (attach Schedules K-1 (Form 1041))	18	250
	19	Estate tax deduction (including certain generation-skipping taxes) (attach computation)	19	
	20	Exemption	20	
	21	**Total deductions.** Add lines 18 through 20 ▶	21	250
Tax and Payments	22	Taxable income. Subtract line 21 from line 17. If a loss, see page 14 of the instructions	22	0
	23	**Total tax** (from Schedule G, line 8)	23	
	24	**Payments: a** 1999 estimated tax payments and amount applied from 1998 return	24a	
	b	Estimated tax payments allocated to beneficiaries (from Form 1041-T)	24b	
	c	Subtract line 24b from line 24a	24c	
	d	Tax paid with extension of time to file: [ ] Form 2758 [ ] Form 8736 [ ] Form 8800	24d	
	e	Federal income tax withheld. If any is from Form(s) 1099, check ▶ [ ]	24e	
		Other payments: **f** Form 2439 ; **g** Form 4136 ; Total ▶	24h	
	25	**Total payments.** Add lines 24c through 24e, and 24h ▶	25	
	26	Estimated tax penalty (see page 15 of the instructions)	26	
	27	**Tax due.** If line 25 is smaller than the total of lines 23 and 26, enter amount owed	27	
	28	**Overpayment.** If line 25 is larger than the total of lines 23 and 26, enter amount overpaid	28	
	29	Amount of line 28 to be: **a Credited to 2000 estimated tax** ▶ ; **b Refunded** ▶	29	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than fiduciary) is based on all information of which preparer has any knowledge.

▶ Signature of fiduciary or officer representing fiduciary | Date | ▶ EIN of fiduciary if a financial institution (see page 5 of the instructions)

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ▶ [X] | Preparer's SSN or PTIN *150 - 09 - 6012*

Firm's name (or yours if self-employed) and address ▶ *Pam Jones* *69 Main Street* | EIN ▶ | ZIP code ▶ *80209*

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11370H Form **1041** (2000)

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2000 Workbook

Schedule A Charitable Deduction. Do not complete for a simple trust or a pooled income fund.

1	Amounts paid or permanently set aside for charitable purposes from gross income (see page 15)	1		
2	Tax-exempt income allocable to charitable contributions (see page 16 of the instructions)	2		
3	Subtract line 2 from line 1	3		
4	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes	4		
5	Add lines 3 and 4	5		
6	Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable purposes (see page 16 of the instructions)	6		
7	**Charitable deduction.** Subtract line 6 from 5. Enter here and on page 1, line 13	7		

Schedule B Income Distribution Deduction

1	Adjusted total income (from page 1, line 17) (see page 16 of the instructions)	1	250	
2	Adjusted tax-exempt interest	2		
3	Total net gain from Schedule D (Form 1041), line 16, column (1) (see page 16 of the instructions)	3		
4	Enter amount from Schedule A, line 4 (reduced by any allocable section 1202 exclusion)	4		
5	Capital gains for the tax year included on Schedule A, line 1 (see page 16 of the instructions)	5		
6	Enter any gain from page 1, line 4, as a negative number. If page 1, line 4, is a loss, enter the loss as a positive number	6		
7	**Distributable net income (DNI).** Combine lines 1 through 6. If zero or less, enter -0-	7	250	
8	If a complex trust, enter accounting income for the tax year as determined under the governing instrument and applicable local law — 8: 250			
9	Income required to be distributed currently	9	400	
10	Other amounts paid, credited, or otherwise required to be distributed	10	7,725	
11	Total distributions. Add lines 9 and 10. If greater than line 8, see page 17 of the instructions	11	8,125	
12	Enter the amount of tax-exempt income included on line 11	12		
13	Tentative income distribution deduction. Subtract line 12 from line 11	13	8,125	
14	Tentative income distribution deduction. Subtract line 2 from line 7. If zero or less, enter -0-	14	250	
15	**Income distribution deduction.** Enter the smaller of line 13 or line 14 here and on page 1, line 18	15	250	

Schedule G Tax Computation (see page 17 of the instructions)

1	**Tax:** a ☐ Tax rate schedule or ☐ Schedule D (Form 1041) — 1a			
	b Tax on lump-sum distributions (attach Form 4972). — 1b			
	c Total. Add lines 1a and 1b ▶	1c		
2a	Foreign tax credit (attach Form 1116) — 2a			
b	Check: ☐ Nonconventional source fuel credit ☐ Form 8834 — 2b			
c	General business credit. Enter here and check which forms are attached: ☐ Form 3800 or ☐ Forms (specify) ▶ — 2c			
d	Credit for prior year minimum tax (attach Form 8801) — 2d			
3	**Total credits.** Add lines 2a through 2d ▶	3		
4	Subtract line 3 from line 1c	4		
5	Recapture taxes. Check if from: ☐ Form 4255 ☐ Form 8611	5		
6	Alternative minimum tax (from Schedule I, line 39)	6		
7	Household employment taxes. Attach Schedule H (Form 1040)	7		
8	**Total tax.** Add lines 4 through 7. Enter here and on page 1, line 23 ▶	8		

Other Information

		Yes	No
1	Did the estate or trust receive tax-exempt income? If "Yes," attach a computation of the allocation of expenses. Enter the amount of tax-exempt interest income and exempt-interest dividends ▶ $		X
2	Did the estate or trust receive all or any part of the earnings (salary, wages, and other compensation) of any individual by reason of a contract assignment or similar arrangement?		X
3	At any time during calendar year 1999, did the estate or trust have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See page 18 of the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country ▶		X
4	During the tax year, did the estate or trust receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the estate or trust may have to file Form 3520. See page 19 of the instructions		X
5	Did the estate or trust receive, or pay, any qualified residence interest on seller-provided financing? If "Yes," see page 19 for required attachment		X
6	If this is an estate or a complex trust making the section 663(b) election, check here (see page 19) ▶ ☐		
7	To make a section 643(e)(3) election, attach Schedule D (Form 1041), and check here (see page 19). ▶ ☐		
8	If the decedent's estate has been open for more than 2 years, attach an explanation for the delay in closing the estate, and check here ▶ ☐		
9	Are any present or future trust beneficiaries skip persons? See page 19 of the instructions		X

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Schedule I **Alternative Minimum Tax** (see pages 19 through 24 of the instructions)

Part I—Estate's or Trust's Share of Alternative Minimum Taxable Income

1	Adjusted total income or (loss) (from page 1, line 17)					1	250
2	Net operating loss deduction. Enter as a positive amount					2	
3	Add lines 1 and 2					3	250
4	**Adjustments and tax preference items:**						
a	Interest	4a					
b	Taxes	4b					
c	Miscellaneous itemized deductions (from page 1, line 15b)	4c					
d	Refund of taxes	4d	(		)		
e	Depreciation of property placed in service after 1986	4e					
f	Circulation and research and experimental expenditures	4f					
g	Mining exploration and development costs	4g					
h	Long-term contracts entered into after February 28, 1986	4h					
i	Amortization of pollution control facilities	4i					
j	Installment sales of certain property	4j					
k	Adjusted gain or loss (including incentive stock options)	4k					
l	Certain loss limitations	4l					
m	Tax shelter farm activities	4m					
n	Passive activities	4n					
o	Beneficiaries of other trusts or decedent's estates	4o					
p	Tax-exempt interest from specified private activity bonds	4p					
q	Depletion	4q					
r	Accelerated depreciation of real property placed in service before 1987	4r					
s	Accelerated depreciation of leased personal property placed in service before 1987	4s					
t	Intangible drilling costs	4t					
u	Other adjustments	4u					
5	Combine lines 4a through 4u					5	250
6	Add lines 3 and 5					6	
7	Alternative tax net operating loss deduction (see page 22 of the instructions for limitations)					7	
8	Adjusted alternative minimum taxable income. Subtract line 7 from line 6. Enter here and on line 13					8	250
	Note: *Complete Part II below before going to line 9.*						
9	Income distribution deduction from line 27 below	9	250				
10	Estate tax deduction (from page 1, line 19)	10					
11	Add lines 9 and 10					11	250
12	Estate's or trust's share of alternative minimum taxable income. Subtract line 11 from line 8					12	0

If line 12 is:

- $22,500 or less, stop here and enter -0- on Schedule G, line 6. The estate or trust is not liable for the alternative minimum tax.
- Over $22,500, but less than $165,000, go to line 28.
- $165,000 or more, enter the amount from line 12 on line 34 and go to line 35.

Part II—Income Distribution Deduction on a Minimum Tax Basis

13	Adjusted alternative minimum taxable income (from line 8)	13	250	
14	Adjusted tax-exempt interest (other than amounts included on line 4p)	14		
15	Total net gain from Schedule D (Form 1041), line 16, column (1). If a loss, enter -0-	15		
16	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes (from Schedule A, line 4)	16		
17	Capital gains paid or permanently set aside for charitable purposes from gross income (see page 23 of the instructions)	17		
18	Capital gains computed on a minimum tax basis included on line 8	18	(	)
19	Capital losses computed on a minimum tax basis included on line 8. Enter as a positive amount	19		
20	Distributable net alternative minimum taxable income (DNAMTI). Combine lines 13 through 19. If zero or less, enter -0-	20	250	
21	Income required to be distributed currently (from Schedule B, line 9)	21	400	
22	Other amounts paid, credited, or otherwise required to be distributed (from Schedule B, line 10)	22	7,725	
23	Total distributions. Add lines 21 and 22	23	8,125	
24	Tax-exempt income included on line 23 (other than amounts included on line 4p)	24		
25	Tentative income distribution deduction on a minimum tax basis. Subtract line 24 from line 23	25	8,125	
26	Tentative income distribution deduction on a minimum tax basis. Subtract line 14 from line 20. If zero or less, enter -0-	26	250	
27	**Income distribution deduction on a minimum tax basis.** Enter the smaller of line 25 or line 26. Enter here and on line 9	27	250	

Form **1041** (2000)

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2000 Workbook

SCHEDULE C-EZ (Form 1040)

Department of the Treasury
Internal Revenue Service (00)

Net Profit From Business

(Sole Proprietorship)

► **Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.**

► **Attach to Form 1040 or Form 1041.** ► **See instructions on back.**

OMB No. 1545-0074

2000

Attachment Sequence No. **09A**

Name of proprietor: ***Estate of Mortimer Kohl***

Social security number (SSN): ***150 01 6012***

Part I General Information

You May Use Schedule C-EZ Instead of Schedule C Only If You:

- Had business expenses of $2,500 or less.
- Use the cash method of accounting.
- Did not have an inventory at any time during the year.
- Did not have a net loss from your business.
- Had only one business as a sole proprietor.

And You:

- Had no employees during the year.
- Are not required to file **Form 4562,** Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, on page C-3 to find out if you must file.
- Do not deduct expenses for business use of your home.
- Do not have prior year unallowed passive activity losses from this business.

A Principal business or profession, including product or service: ***Computer Programming***

B Enter code from pages C-8 & 9 ►

C Business name. If no separate business name, leave blank: ***Mort's Consulting***

D Employer ID number (EIN), if any

E Business address (including suite or room no.). Address not required if same as on Form 1040, page 1.

City, town or post office, state, and ZIP code

Part II Figure Your Net Profit

1	**Gross receipts. Caution:** *If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see* ***Statutory Employees*** *in the instructions for Schedule C, line 1, on page C-2 and check here* ► ☐	1	***400***
2	**Total expenses.** If more than $2,500, you **must** use Schedule C. See instructions	2	***0***
3	**Net profit.** Subtract line 2 from line 1. If less than zero, you **must** use Schedule C. Enter on **Form 1040, line 12,** and ALSO on **Schedule SE, line 2.** (Statutory employees **do not** report this amount on Schedule SE, line 2. Estates and trusts, enter on Form 1041, line 3.)	3	***400***

SCHEDULE K-1 (Form 1041)

Department of the Treasury
Internal Revenue Service

Beneficiary's Share of Income, Deductions, Credits, etc.

for the calendar year 2000, or fiscal year beginning ***Sept. 1*** **, 2000, ending** ***January 15*** **, 20** ***01***

► **Complete a separate Schedule K-1 for each beneficiary.**

OMB No. 1545-0092

2000

Name of trust or decedent's estate: ***Estate of Mortimer Kohl***

☐ Amended K-1
☒ Final K-1

Beneficiary's identifying number ► ***150-03-6012***

Estate's or trust's EIN ► ***15 0056012***

Beneficiary's name, address, and ZIP code:
Cindy Kohl
462 Maple Street
Upland, CO 80209

Fiduciary's name, address, and ZIP code:
Wendy Kohl, Personal Representative
462 Maple
Upland, CO 80209

	(a) Allocable share item		(b) Amount	(c) Calendar year 2000 Form 1040 filers enter the amounts in column (b) on:
1	Interest	1		Schedule B, Part I, line 1
2	Ordinary dividends	2		Schedule B, Part II, line 5
3	Net short-term capital gain	3		Schedule D, line 5
4	Net long-term capital gain: **a** 28% rate gain	4a		Schedule D, line 12, column (g)
b	Unrecaptured section 1250 gain	4b		Line 11 of the worksheet for Schedule D, line 25
c	Total for year	4c	***250***	Schedule D, line 12, column (f)

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2000 Income Tax School

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