**The Personal Representative or Trustee’s Duty to Pay Taxes**

*This information refers to forms required by the federal Internal Revenue Service (IRS) and Colorado Department of Revenue in 2019. Note, the names of these forms and income thresholds are subject to change. This is a highly complex area. This document does not provide specific tax advice geared toward your situation. I have highlighted important issues but have not delved into details. Hiring a Certified Public Accountant (CPA) is strongly recommended to discuss the intricacies of your unique estate.*

**Final Individual Federal and State Income Tax Returns**

Final Individual Federal and State Income Tax will be due by April 15th of the year following a person's death, provided the person earned at least the minimum amount of income set by federal and state law in that calendar year. If someone dies mid-year (as is almost always the case), an individual return will be due for the period from January 1 to the date of death. If a person was married at death, their spouse can still file a joint return for the year of death. Use IRS form [1040](http://www.irs.gov/pub/irs-pdf/f1040.pdf) for the federal return, and Colorado Form 104 for the Colorado return. It is recommended that you retain a CPA to ensure that any refund payment be paid to the estate rather than to the decedent

**Refunds**

If the decedent is due a refund of any individual income tax, you may claim that refund using IRS Form 1310, Statement of a Person Claiming Refund Due a Deceased Taxpayer, and Colorado Form, DR 0102. Again, it is recommended that you retain a CPA to ensure that the payment be paid to the estate rather than to the decedent.

**Income Tax Returns for the Years Preceding Death**

If the decedent has not done so, you may also have to file individual income tax returns for years preceding the year of death. From IRS correspondence you find in their personal records, you may learn that the decedent has not filed required returns. You may also obtain verification of non-filing and certain income documents of the decedent from the IRS using IRS Form 4506-T, Request for Transcript of Tax Return.

**Income Tax Return for Estates and Trusts**

When someone dies, their assets become property of their estate. Any income those assets generate is also part of the estate and may trigger the requirement to file an estate income tax return with the IRS and the Colorado Department of Revenue. Examples of assets that would generate income to the decedent’s estate include savings accounts, CDs, stocks, bonds, mutual funds and rental property. IRS [Form 1041, U.S. Income Tax Return for Estates and Trusts](https://www.irs.gov/forms-pubs/about-form-1041), is required if the estate generates **more than $600** in annual gross income.

The decedent and their estate are separate taxable entities. Before filing Form 1041, you will need to obtain a tax ID number for the estate

**Federal Gift and Estate Tax Returns**

Federal Gift and Estate Taxes will be due nine months after a person's date of death. There is an automatic six-month extension available, if you request it by that nine-month deadline. Very few estates need to file this return. As of 2019, estates under $11,400,000 million (indexed every year for inflation) don't need to file a return. However, it is often recommended that a surviving spouse file a 706 form to make use of their deceased spouse's unused exemption amount. Note, the $11,400,000 threshold is scheduled to drop to roughly $6,750,000 in 2025.

**Adjusted Tax Basis (Step up in Basis)**

This is a complex topic. Broadly speaking, at the death of a married individual, it is recommended that an appraisal be obtained for all jointly owned real estate and other assets with a tax basis, such as stocks.

In Summary :

The personal representative or trustee is responsible for:

* Paying any required taxes prior to the decedent’s passing, both prior year or previous years
* Obtaining a Tax ID for the estate
* Paying taxes or obtaining refunds due by or for the estate
* Obtaining an appraisal

Hiring a CPA is recommended for negotiating the specifics of your estate management.