

THE NAVIGATOR

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The Role of The Executor

By Lynn A. Conover, Partner

Sometime during your lifetime, someone close to you may ask you to be an executor of his or her estate. Before you assume the role, it is important for you to know what your major responsibilities will be and if you have the skills and resources to be effective. In part one of a two part series, Curchin explains the role of an executor before and upon a person's death. In part two, we will share what tax filings are necessary after a person's death and what type of compensation you should expect for your time and effort.

Part One: Safeguarding of Assets

The executor has the fiduciary duty to preserve the assets of the estate and to carry out the wishes of the decedent. The first step is to identify all of the assets owned by the decedent. These include cash and investments, real estate, ownership in closely held businesses, life insurance proceeds among other items. Often times a person dies and the executor of his or her estate has no idea of the assets owned. I recommend the executor and the person who wrote the will meet periodically to review the assets owned. This will help the executor greatly at the time of death. Alternatively, the identification of assets can begin with a review of the decedent's latest income tax return filed. Items of income can be traced back to the underlying assets. Safe deposit boxes and other files would also help identify assets.

Once the assets have been identified, it is the duty of the executor to pay any outstanding bills which exist at date of death or arise after date of death. These may include medical expenses, utility bills, real estate, income, inheritance and estate taxes, estate administration expenses, funeral expenses, and legal and professional fees among other items.

In addition, the executor must invest the assets prudently in order to maintain and preserve their values for distribution to named beneficiaries. Speculative investing is not recommended for a decedent's estate. The executor may also be required to sell certain assets to provide liquidity to pay obligations of the estate and bequests to beneficiaries. This may include the sale of the decedent's residence in the event it was not specifically bequeathed to a named beneficiary (i.e. a spouse). A financial representative or broker for the estate can assist with the investing and liquidation process.

Once all assets have been identified and the required federal and state estate and inheritance taxes and outstanding bills have been paid, the executor may distribute the bequeathed items to the named beneficiaries. With regard to the federal and state estate and inheritance taxes, the executor must receive closing letters from each agency as a result of filing the tax returns and paying the taxes before he/she distributes to beneficiaries.

On the day someone dies, a new entity is created. The date of death is the first day of the estate of the decedent. At that point, the executor has the responsibility to apply for a federal identification number for the estate. A federal identification number for an estate is like a Social Security number for an individual. Any income earned after the date of death is considered earned by the estate. Therefore, it is important that income generating assets for an estate be retitled in an account in the estate name and under the estate identification number when applicable. Also, it is advised that the executor open an estate checking account under the federal identification number to receive income and pay expenses. A CPA can assist an executor with obtaining a federal identification number.

Please keep in mind that your CPA and attorney should be consulted when drafting the will and carrying out the functions as an executor.

Part two will be featured in the next quarterly issue of "THE NAVIGATOR."

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ACCOUNTING & TAX NEWS

President's Tax Reform Panel Proposes Income and Consumption Taxes

In October, the President's Advisory Panel on Federal Tax Reform recommended the adoption of a progressive income tax system that exempts from income most capital income derived from domestic sources and capping deductions for home mortgage interest and health insurance premiums. We have highlighted a few of the proposed items that would primarily affect individual tax payers:

- The progressive income tax system would establish rates at 15, 25, 30 and 35 percent. Three quarters of all taxpayers would fall in the 15 percent bracket.
- Health insurance premiums would be exempt from income up to \$11,500 for families and \$5,000 for singles.
- The home mortgage deduction would be replaced with a home credit up to 15 percent of mortgage interest paid to acquire, construct or improve a home. This credit would be available on the primary residence only and excluded second homes and home equity loans.
- The capital gain exclusion on the sale of a principal residence for married couples would increase to \$600,000 (current law is \$500,000)

Social Security Benefits to Increase 4.1% in 2006

The Social Security Administration announced on October 17th that social security benefits will increase 4.1% in 2006. For social security beneficiaries, the average monthly benefit for retired workers will increase from \$963 to \$1002, and the maximum monthly benefit will increase from \$1,939 to \$2,053. For more information, log onto www.curchin.com and click on "Nifty Fifty Tax Tips."



TAX TIPS



New Vehicle Donation Rules Effective January 1, 2005

Charitable deductions for vehicle donations after January 1, 2005 are limited to what the charity receives from the sale of the car, truck, motorcycle, RV or other vehicle. For example, Mario donates his car to a local charity. The "Blue Book" value of the car is \$2,200. The charity sells the car for \$1,300. The donation is limited to \$1,300.

If the charity intends to use the vehicle within the charity, the taxpayer's deduction is the fair market value. The IRS is scheduled to release regulations that will bar usage of "Blue Book" values as the fair market value. The intention of this regulation is to curb abuse taken for inflated deductions.

Get Your Refund Now - The Internal Revenue Service Holds 90,000 Undeliverable Refund Checks

Approximately 90,000 taxpayers have not received refund checks because the Internal Revenue Services does not have their current address. With the average refund check around \$871.00, Uncle Sam is sitting on approximately \$73 million. The IRS is encouraging taxpayers to go to "where's my refund?" on its Web site or to call 800-829-1040 for further assistance.

Attention Business Owners – Save on the Cost of Health Insurance through a Health Savings Account

Consider converting your health insurance to a Health Savings Account (HSA). A recent Tax Law change allows small businesses to provide high deductible health insurance with the amount of the deductible going into a special savings account known as an HSA.

The employer can still deduct the cost of health insurance, but can also deduct the amount deposited into the HSA. For self-employed taxpayers, HSA's are also available. The self-employed person makes his or her own deposits into an HSA which are fully tax deductible. For further information on HSAs and whether it makes sense for you, contact Peter Pfister at 732.747.0500 or ppfister@curchin.com.

Taxpayers Can Verify New Jersey Estimated Payments Online

The New Jersey Division of Taxation now provides an online inquiry that individuals and estates and trusts can use to verify the amounts of their New Jersey gross income estimated payments and credits. Information is available for tax years 2003 through 2005. Visit the state Web site at www.state.nj.us/treasury/taxation for more information.

IRS Announces 2006 Standard Mileage Rates

Business Mileage Rate

For 2006, the standard business mileage rate is 44.5 cents per mile. This is in comparison to the 2005 amounts of 40.5 cents per mile for the first eight months of the year and 48.5 cents per mile for the last four months of the year.

Medical and Moving Mileage Rate

The standard mileage rate for medical or moving expenses has been increased to 18 cents per mile from 15 cents per mile in 2005 (22 cents per mile for the last four months of 2005).

Charitable Mileage Rate

The standard mileage rate for charitable purposes, other than activities related to Hurricane Katrina relief, remains at 14 cents per mile.

Katrina Mileage Rate

For 2006, the rate for miles driven for charities providing Hurricane Katrina relief will be 32 cents per mile for deduction purposes and 44.5 cents per mile for reimbursement purposes.

For more tax tips, log onto www.curchin.com and click on Resources then "Nifty Fifty Tax Tips."

2006 Tax Rates and Other Inflation Adjustments

- Personal exemption rises to \$3,300 (\$3,200 in 2005)
- Standard Deduction:
 - Married-Joint \$10,300 (\$10,000 in 2005)
 - Single \ Married-Separately \$5,150 (\$5,000 in 2005)
 - Head of Households \$7,550 (\$7,300 in 2005)
- The additional standard deduction for aged and blind individuals remains at \$1,000 each and increased to \$1,250 for individuals who are unmarried and not a surviving spouse
- The itemized deduction phase-out will begin to hit taxpayers with 2006 AGI above \$150,500 (\$145,950 in 2005); \$75,250 for married couples filing separately (\$72,975 in 2005)
- The gift tax annual exclusion rises to \$12,000 (\$11,000 in 2005)

For more information about these and other topics, log onto www.curchin.com and click on Resources then Accounting & Tax News or contact The Curchin Group at 732.747.0500 or info@curchin.com.

★ ★ ★ CURCHIN NEWS ★ ★ ★

Curchin Hosted its Annual Tax Round Up on October 19, 2005

We hosted our Annual Curchin Tax Round Up in mid-October at the Oyster Point Hotel. Our own Doug Stives and Bank of America Economist, Diane Sobin, shared their knowledge on the state of the economy and what to expect from Uncle Sam this tax year, especially in the State of New Jersey. While we had many newcomers, it was nice to see so many faces from last year! If you would like copies of Doug's and/or Diane's presentation, contact Dawn Malfetti at 732.747.0500 or dmalfetti@curchin.com.

Curchin Welcomes Irene McGeever, Jacob Thomas, Joan Chadwick and Richard Audet

We have some wonderful additions to our growing family. In September, Irene McGeever joined our team as a staff accountant. She comes to us from Hutchinson, Farrell, Meyers & Allison, PA. Jacob Thomas joined Curchin after getting his M.B.A. from Monmouth University. Richard Audet, former President of Key International, Inc., brings his tax planning and preparation expertise to Curchin's busy tax team. Finally, our newest associate, Joan Chadwick, is a student at Georgian Court University. She will graduate with a B.S. in Accounting and an MBA in May, 2006.

The Curchin Group Forms Curchin 1031 Exchange, LLC

In response to a growing need for Qualified Intermediaries to assist with Section 1031 Like Kind Exchanges, Curchin has formed Curchin, 1031 Exchange LLC. Since 1921, under section 1031 of the Internal Revenue Code, investment or business property owners, through the use of a Qualified Intermediary, can sell one property and purchase another without incurring an income tax liability. The property owner's cash flow is improved through postponing the tax obligation and earning interest on the proceeds until the new purchase is made.

For individuals or real estate professionals wanting additional information on Section 1031 Like Kind Exchanges, contact Doug Stives at 732.747.0500 or dstives@curchin.com.

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Celebrating 50 years in Monmouth County, New Jersey, The Curchin Group helps small to mid-sized businesses and individuals reach their financial goals through providing a broad range of Assurance; Tax; Financial Planning; and Business Advisory Services. The firm is dedicated to giving solid financial advice, sustaining long-term relationships with its clients and employees and giving back to the surrounding community. For more information about Curchin, please contact *Bob Fouratt* at **732.747.0500** or **bfouratt@curchin.com**

MARK THE DATE

FEBRUARY 1, 2006

FOR CURCHIN'S ESTATE PLANNING ESSENTIALS SEMINAR

Please join us and our special guest, Andrew Krantz of the law firm Zager Fuchs Ambrose and Krantz PC for a seminar on what you can do now to preserve your family's future wealth. This in-depth discussion on estate planning will include an overview of an executor's role. Curchin's Estate Planning Essentials will be held at the Navesink Country Club from 6:30 – 8:00 p.m. on February 1, 2006. For more information or to reserve your seat, please contact Dawn Malfetti at 732.747.0500 or dmalfetti@curchin.com.

The Curchin Group LLC

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