

# Nancy K. Phillips, PC

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## Tax Tips for Estates and Trusts

### A. Real Life examples:

1. Deceased taxpayer had several grown "children" that appeared and claimed to be his heirs (requiring DNA testing) when he died with several pieces of real estate and a common law wife that said they had been married for several years although she was married to someone else for part of the time but still wanted half the real estate purchased in those years.
2. Have done cash tracing where 1<sup>st</sup> attorney/executor needed cash and took lots of cash out of the estate without documentation and then died. I traced cash with all the checks made payable to the attorney and his malpractice carrier paid up to the maximum or \$100,000.
3. Example of client (the executor) living in deceased parent's house for years where there are other beneficiaries.
4. A taxpayer dies with two versions of a will that were self-prepared on the same date. There were children from a prior marriage and a 2<sup>nd</sup> wife of 20 years. The family has spent over \$200K in legal fees. The decedent was a medical doctor with an estate worth over \$10M and used only first names in his handwritten will.
5. Husband shot wife. I was hired to file correct tax returns for the estate which involved correcting the step up in basis; all assets receive a step-up including real estate, stocks and personal property and cattle! Help the stock broker to get the proper basis into their computers. This is not automatically done as the alternative valuation method might be used therefore the basis of the stocks would be 6 months after the date of death. This method can only be used if the estate is subject to estate tax and the use of the alternate date reduces the value of the gross estate and the amount of federal estate tax due.

### B. Tax Rates & Tips I use on Estates and Trusts:

1. We try to smooth taxable income between years not to bump up into a higher tax bracket. Did you know that capital gains has 4 different tax rates and goes up quickly for trusts and estates? See trust and estate tax rates next to individual rates on pages 5-6. We do income tax projections to show clients that a capital gain in a high income year isn't the year to sell stock or real estate. Two clients who deferred sale of capital assets into the next year where their income was going down- saved tens of thousands of dollars to shift years.
2. I try to pay out distributions to the beneficiaries each year if estate is on-going so income will flow out to the beneficiaries. In the Dallas courts, it is difficult and maybe impossible to do this with a dependent administration.
3. Various examples of tax savings and estate and trust facts I have learned:
  - a. Estate and gift tax filing requirements; Form 1041 (\$600 gross income); Form 706 (\$13,610,000 gross estate in 2024); Form 709 gift return (over \$18,000 in gifts to any one person in 2024); see page 7.

- b. Specific bequests get NO K-1 therefore no carry out of income on an estate.
- c. Use of Excel with entity chart on our large family groups with lots of entities and trusts; see page 8.
- d. 1041 Estates are allowed to deduct charitable contribution paid in the tax year as well as amounts set aside for charity during the tax year. IRC Sec. 642(c).
- e. Sale of the homestead or rental property; usually loss if sold after death due to closing costs. Someone sold \$2M homestead immediately before death of an older single woman to get money for her care. Very large capital gain. Would have gotten a step-up in basis if sold immediately after her death. We had to pay a large tax bill but were able to abate the \$60K penalties.
- f. Business losses such as a rental property losses carry forward; also stock or homestead losses; other expenses in excess of income get lost unless in a final year; see page 9.
- g. 65 day election is just that – elect to treat distributions done within 65 days after the end of the year as distributed on the last year's tax return; this election under IRC Section 663(B) applies to both trusts and estates; if close to wrapping up an estate at year-end, it can go slightly into the next year to make the distributions to the beneficiaries and still close out in the prior year; see page 10.
- h. "Defective Grantor Trusts" also called "Absolutely Perfect Trusts" or "Intentionally Defective Trusts". This caused the trust income to be taxed to the grantor rather than to the trust and/or the beneficiary. The most common "defect" is the swap power, giving the grantor the power to remove assets from the trust and substitute assets of equal value. You can turn off the grantor trust status later and convert the trust to a non-Grantor Trust; see page 11.
- i. Default – most Texas trusts show capital gains as "Principal" or "Corpus" and therefore they are taxed within the trust unless the trust specifically says that these can be considered income and flow out to the beneficiaries; I have only one client with this situation; if the trust document is silent on the subject of the definition of principal and income, the trustee can consider capital gains "income" if paid out every year from inception of the trust. I even found an article that said that if you were in the second or third year and you had not done that, you could amend the return/s to do that back to the inception of the trust. Most trust documents I read do not have any discussion of capital gains being income or corpus. With trust capital gains rates so high this could save considerable money. IRC Sec. 642
- j. If a trust owns interests in partnership and is required to make distributions of "income" then the distributions from the partnerships is used instead of the income within the partnership which is taxed on the trust return.
- k. Oil depletion for trust accounting can be up to the trustee's discretion; old federal and Texas law with 27% instead of 15% might be used for depletion
- l. Legal fees in excess of income in the final year of a trust or estate flow out to the beneficiaries as a "excess deductions upon termination" and are deductible on the Form 1040 of the beneficiary and offset other income such as wages and interest and dividend income; capital losses are also carried out to the beneficiary in the final year of the trust or estate. I have talked attorneys & CPA's into waiting to get their fees until it is the final year of the estate. See attached summary of a 4 year actual estate still in process.
- m. One widow with 3 trusts has a capital loss carry forward on her personal tax return but was paying tax on large capital gains within some of her trusts. We found a way to have the trust that was supporting her pay out the required income each year in cash and also distribute stock with build it gains so she could sell within her own account and pay no income tax. If the required income to be distributed was in stock, there would be a deemed sale of the stock at the trust level and taxed on the trust tax return; if done above the income then it can have carryover basis to the individual and will be taxed on the personal tax return.
- n. Typical case at my office; see page 12.

### C. Portability Election and 706 tax filings:

#### 1. In General

There is a 40% federal estate tax on all assets to the extent the total value of assets less debts and administration fees exceeds the estate tax exemption amount. That is currently \$13,610,000 in 2024 but exemption sunsets in about half on 1-1-26.

Fewer than 1 in 1,000 families file a Form 706 under the new rules; only a little over 400 were filed on Texans in 2021; many of these are filed to "port" the spouse's unused exemption over to the surviving spouse.

Code 421 on an IRS transcript for Form 706 is as good as a closing letter.

I use and the IRS uses Estate Valuation at [www.evpays.com](http://www.evpays.com) to value items of securities within estates; see pages 13-14.

2. When would you take deductions on Form 706 (list of assets less debts and estate administration fees) verses deductions on Form 1041 (estate income tax return)?

#### 3. Example Portability

When there's a surviving spouse, estates that aren't required to file an estate tax return should consider filing one for the sole purpose of electing portability. The benefits can be significant, as the following example illustrates:

Bob and Carol are married. Bob dies in 2023 and left his assets into a bypass or credit shelter trust which goes to his children after his wife's death. With an estate valued at \$3.92 million, his unused exemption is \$9 million. His estate doesn't owe estate tax, so it doesn't file an estate tax return (Form 706). Note: if he had left all his estate outright to his wife, he would not be using any of his estate exemption.

Carol dies in 2026, with an estate valued at \$15 million. For this example, let's say the exemption amount in 2026 is \$6 million. Because the exemption has dropped to \$6 million, her federal estate tax liability is \$3.6 million [40% x (\$15 million - \$6 million)].

Had Bob's estate elected portability, Carol could have added his \$9 million unused exemption to her own for a total exemption of \$15 million, reducing the estate tax liability on her estate to zero. Note that, by electing portability, Bob's estate would have locked in the unused exemption amount in the year of his death, which wouldn't be affected by the reduction in the exemption amount in 2026.

Example of a portability election filed on a Form 706; see pages 15-18.

#### 4. New Procedures on Portability

On July 8, 2022, the IRS issued a Revenue Procedure (Rev. Proc. 2022-32) that allows estates to elect "portability" of a deceased spousal unused exclusion (DSUE) amount as much as five years after the decedent's date of death. This unused exclusion amount becomes available for the surviving spouse's subsequent transfers during life or at death. This 2022 Rev. Proc. supersedes Rev. Proc. 2017-34, which had a two-year simplified method.

### D. IRS Dealings:

#### 1. Penalty abatement

- a. Try first time abatement: First time abatement of the penalties for failure to file and pay on time can be used if you have 3 clean years prior to the year with penalties and you must call or write to request it. This is per SS# or EIN# therefore if the first year trust or estate income tax return is late, you can

request the first time abatement penalty if the filing and/or paying was late because this is a new EIN# with a clean record.

- b. Next try "reasonable cause": We get out of penalties about 85% of the time. Reasons are due to old age/illness and include: "issues with old age", "long-term physical illness", "physically and mentally unable to handle their affairs", "impairment" and "problems with advanced age". There were other reasons such as death in the family, divorce, and other temporary conditions that made it hard to complete their tax returns. The next issue they look at when someone has died is how quickly the tax returns were completed after someone was appointed to help with the financial affairs. They don't tell you what the time frame is but after putting in the 5-week period after the court-appointed you as executor you hiring the CPA and we completed several years of back tax returns, they determined that 5 weeks was too long!!
2. Tip when calling and dealing with the IRS:
- a. On POAs put attorney or client's name w/title under taxpayer name
  - b. Taxpayer name has to match the exact name on the tax return
  - c. If representative signs POA first, the taxpayer does not have a required time limit for signing it; check that everything is signed and dated and have POAs and years authorized and documents in front of you when calling the IRS
  - d. Have POA years authorized to give IRS verbally on phone call.
  - e. Deceased persons – must have POA and Court Appointment when calling IRS.
  - f. On my deceased clients, I need POA and Court Appointment of party signing the POA, death certificate and form 56 signed
  - g. Form 1310 needed if refund on deceased person's 1040 if a non-spouse is getting a refund. 1041 does not need 1310; Form 56 needed in the first and or final year of a Form 1041; it tells the IRS who is the responsible party on this account.
  - h. You can discuss 5 clients per IRS call.
  - i. Ask to get POAs to CAF unit if on phone w/IRS and they don't have it yet
  - j. Submit POA without attachments online at IRS website>log in>select submit POA/2848> upload file and submit
  - k. Slower if the POA is with attachments - Fax in POAs to fax# 855-214-7522; if the taxpayer is deceased you will need the death certificate and the court appointment of the person who authorized you.
  - l. On POAs, you can put future tax periods that end no later than 3 years after the date the POA is received by the IRS and any tax years that have already ended; I put at least 10 years back so I don't have to go back to the client and get a bigger range of dates.
  - m. 2 IRS departments for getting wage and income transcripts – one for SS# and business department for EIN#s.

## 2024 Income Tax Brackets

	Form 1040	From 1040	Form 1041
Tax rate	Single filers	Married couples filing jointly	Estates & Trusts
10%	\$0 to \$11,600	\$0 to \$23,200	\$0 to \$3,100
12%	\$11,601 to \$47,150	\$23,201 to \$94,300	
22%	\$47,151 to \$100,525	\$94,301 to \$201,050	
24%	\$100,526 to \$191,950	\$201,051 to \$383,900	\$3,100 to \$11,150
32%	\$191,951 to \$243,725	\$383,901 to \$487,450	
35%	\$243,726 to \$609,350	\$487,451 to \$731,200	\$11,150 to \$15,200
37%	\$609,351 or more	\$731,201 or more	\$15,200 or more

## 2024 Long-Term Capital Gains & Qualified Dividends Tax Rates

	Form 1040	From 1040	Form 1041
Tax rate	Single filers	Married couples filing jointly	Estates & Trusts
0%	\$0 to \$47,025	\$0 to \$94,050	\$0 to \$3,150
15%	\$47,026 to \$518,900	\$94,051 to \$583,750	\$3,150 to \$15,450
20%	\$518,900 or more	\$583,750 or more	\$15,450 or more

CLIENT

TEST

8/16/24

11:46AM

WAGE SCHEDULE

TAXPAYER - EMPLOYER	WAGES	FEDERAL W/H	FICA	MEDI-CARE	STATE W/H	LOCAL W/H
	50,000.		3,100.	725.		
GRAND TOTAL	50,000.	0.	3,100.	725.	0.	0.

TAX BRACKET WORKSHEET (FORM 1040, 1040-SR, OR 1040-NR, LINE 16)

CAPITAL GAIN RATES (CAPITAL GAIN/SCH. D TAX WORKSHEET)	INCOME	TAX
10% ORDINARY TAX BRACKET (\$0 - \$11,000)	\$ 11,000.	\$ 1,100.
12% ORDINARY TAX BRACKET (\$11,001 - \$44,725)	25,175.	3,021.
TAXABLE ORDINARY INCOME	\$ 36,150.	
TAXABLE ORDINARY INCOME MIDPOINT USED ON TAX TABLE	\$ 36,175.	
0% CAPITAL GAIN BRACKET	8,475.	0.
15% CAPITAL GAIN BRACKET	447,675.	67,151.
20% CAPITAL GAIN BRACKET	43,850.	8,770.
TOTAL USING CAPITAL GAIN RATES	\$ 536,150.	\$ 80,042.

\* ORDINARY INCOME WOULD HAVE TO INCREASE BY OVER \$8,575 TO BEGIN BEING TAXED IN THE NEXT 22% TAX BRACKET (\$44,726 - \$95,375)

*Example with*

*\$ 50,000 Wages.*

*\$ 500,000 long term Capital Gains;*

## ESTATE PROJECT FACTS

Attorney's or Client's Name: \_\_\_\_\_ Attorney was appointed as \_\_\_\_\_ for  
the Estate/ or individual of \_\_\_\_\_ on \_\_\_\_\_

Work needed: \_\_\_\_\_

Taxpayer's Name _____	Spouse's Name _____
SS# _____	SS# _____
DOD _____	DOD _____
DOB _____	DOB _____

Estate EIN \_\_\_\_\_ Date assigned \_\_\_\_\_

Has Form 56 been filed?  Yes  No date \_\_\_\_\_ by whom \_\_\_\_\_

Need to prepare Form 1040 POA?  Yes  No from Year ( ) to Year ( )

Need to prepare Form 1041 POA?  Yes  No from Year ( ) to Year ( )

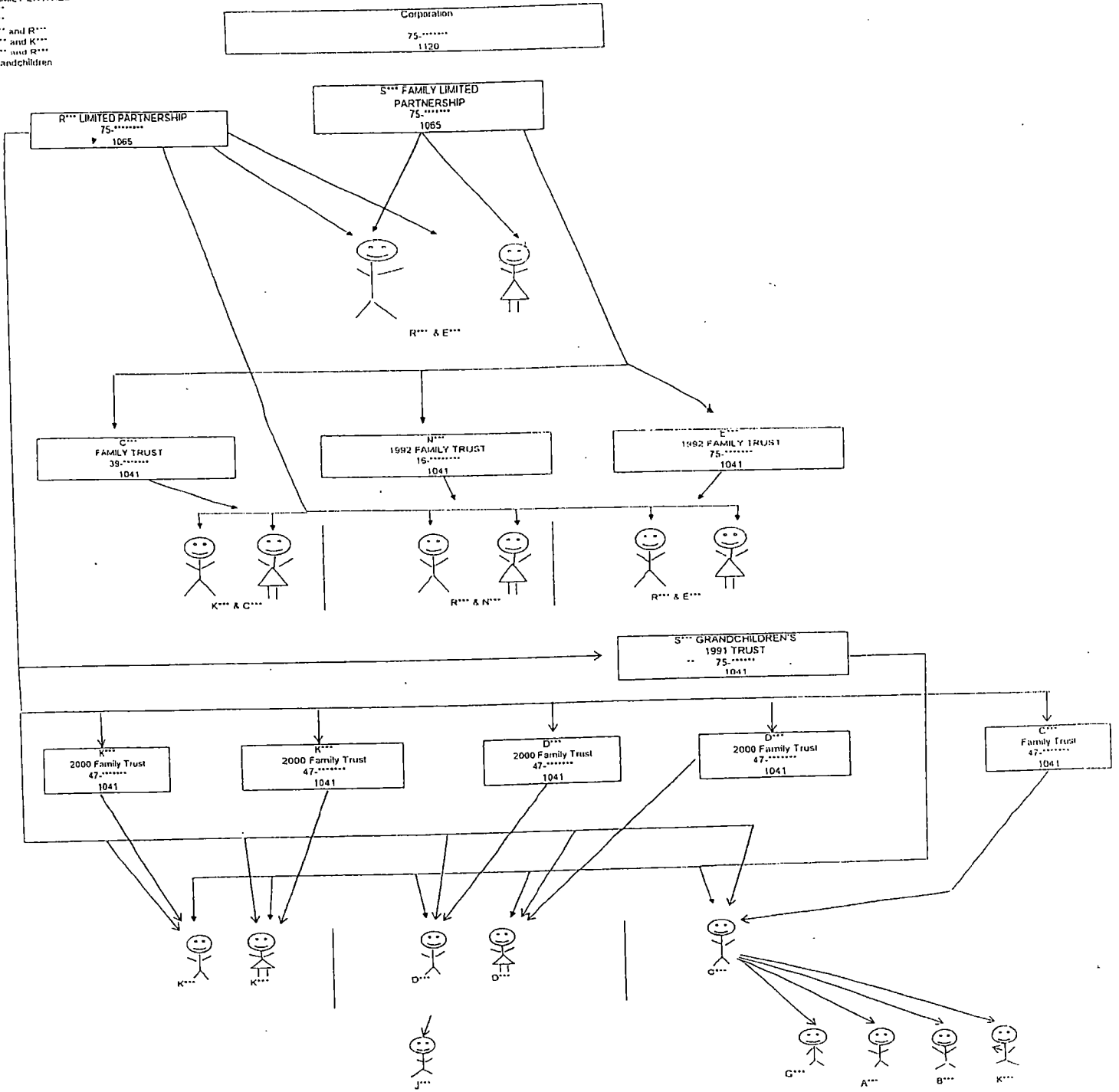
Is there a Will? \_\_\_\_\_  Yes  No

Need Form 5495 (for 1040&1041&706&709) Request for Discharge From Personal Liability Under Internal Revenue Code Section 2204 or 6905 (Will cut statute of limitations from 3 years to 9 months, or 6 months in the case of a fiduciary's request, after the IRS's receipt of the request for discharge or the earlier payment of any amount determined by the IRS to be owed  Yes  No

Need Form 4810 (all returns) Request for Prompt Assessment Under Internal Revenue Code Section 6501(d). This will limit the time from 3 years to 18 months from the date the fiduciary files the request  
 Yes  No

Update on the Facts:

R\*\*\* and E\*\*\*  
 C\*\*\* and K\*\*\*  
 N\*\*\* and R\*\*\*  
 Grandchildren



\* Beneficiary 1/3 to each group of the grandchildren  
 \*\* Beneficiary 1/5 to each of the grandchildren



Sample Estate  
 Summary of income tax consequences  
 Years 1-4

	Year 1	Year 2	Year 3 Capital Gain	Year 3 Other Exp	Year 4
Income - maybe some small rents	0	0			0
Sales price of Land	N/A	N/A	18,000,000		N/A
Expenses related to Long-term Capital Gain:					
Estate's stepped up basis			(15,000,000)		
Broker Fees (6%)			(900,000)		
Selling Costs (1%)			(300,000)		
Real estate taxes and other capitalized expenses (only if elected to be capitalized if pd in prior yr)			(800,000)		
Attorney's fees	(100,000)	(100,000)		(50,000)	(100,000)
Administrator's Fees - estimate				(150,000)	
Tax Attorney/CPA fees				(70,000)	
Long-term Capital Gain			1,000,000		
Ordinary Loss	* (100,000) *	(100,000)		(270,000) **	(100,000)

\*Expenses for legal and professional fees, appraisals and bond fees might be lost unless we can capitalize these which means adding them to the cost/basis of the land and deducting them upon sale

\*\*"Excess Deductions in the year of termination" Sec 67e are carried through to the the beneficiaries tax returns based on their percentage and deducted against other income as an adjustment to income No need to itemize to deduct these expenses

2016

GENERAL ELECTIONS

PAGE 1

CLIENT JMSJRATR

JMS

8/14/17

02:46PM

ELECTION TO TREAT TRUST OR ESTATE DISTRIBUTIONS AS MADE IN PRECEDING TAX YEAR

NAME OF TRUST OR ESTATE JMS

NAME OF FIDUCIARY ANDERSON SMITH

ADDRESS JACKSON ST

SAN FRANCISCO, CA 94115

TAXPAYER IDENTIFICATION NUMBER 81- \_\_\_\_\_

YEAR-END 12/31/2016

TAXPAYER HEREBY ELECTS UNDER IRC SEC. 663(B) TO TREAT THE FOLLOWING DISTRIBUTIONS AS MADE DURING THE TAX YEAR ENDED 12/31/16.

DESCRIPTION OF DISTRIBUTION	BENEFICIARY	DATE OF DISTRIBUTION
CASH \$25,000	ANDERSON SMITH	2/02/2017

65 DAY ELECTION

**A** Check all that apply: For calendar year 2016 or fiscal year beginning 2016, and ending 20

Decedent's estate  
 Simple trust  
 Complex trust  
 Qualified disability trust  
 ESBT (S portion only)  
 Grantor type trust  
 Bankruptcy estate — Ch. 7  
 Bankruptcy estate — Ch. 11  
 Pooled income fund

**JANE IRREVOCABLE TRUST**  
**WELLS FARGO BANK. N.A.**  
**ATTN: LISA**  
**FIDUCIARY TAX LIAISON**  
**1919 DOUGLAS ST 2ND FLOOR**  
**OMAHA, NE 68102-1317**

**C** Employer identification number \_\_\_\_\_

**D** Date entity created 4/07/2005

**E** Nonexempt charitable and split-interest trusts, check applicable box(es) see instr.  
 Described in sec. 4947(a)(1). Check here if not a private foundation...   
 Described in sec. 4947(a)(2)

**B** Number of Schs K-1 attached (see instructions) ...  Initial return  Final return  Amended return  Net operating loss carryback

**F** Check applicable boxes:  Change in trust's name  Change in fiduciary  Change in fiduciary's name  Change in fiduciary's address

**G** Check here if the estate or filing trust made a section 645 election ...  Trust TIN

Income	1	Interest income	1
	2a	Total ordinary dividends	2a
		b Qualified dividends allocable to: (1) Beneficiaries (2) Estate or trust	
	3	Business income or (loss). Attach Schedule C or C-EZ (Form 1040).	3
	4	Capital gain or (loss). Attach Schedule D (Form 1041).	4
	5	Rents, royalties, partnerships, other estates and trusts, etc. Attach Schedule E (Form 1041).	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, 2a, and 3 through 8.	9	
Deductions	10	Interest. Check if Form 4952 is attached <input type="checkbox"/>	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
	15a	Other deductions not subject to the 2% floor (attach schedule)	15a
	15b	b Net operating loss deduction. See instructions.	15b
	15c	c Allowable miscellaneous itemized deductions subject to the 2% floor	15c
	16	Add lines 10 through 15c.	16
	17	Adjusted total income or (loss). Subtract line 16 from line 9.	17
	18	Income distribution deduction (from Schedule B, line 15). Attach Schedules K-1 (Form 1041).	18
19	Estate tax deduction including certain generation-skipping taxes (attach computation)	19	
20	Exemption	20	
21	Add lines 18 through 20.	21	
Tax and Payments	22	Taxable income. Subtract line 21 from line 17. If a loss, see instructions.	22
	23	Total tax (from Schedule G, line 7)	23
	24a	Payments: a 2016 estimated tax payments and amount applied from 2015 return.	24a
	24b	b Estimated tax payments allocated to beneficiaries (from Form 1041-T).	24b
	24c	c Subtract line 24b from line 24a.	24c
	24d	d Tax paid with Form 7004. See instructions.	24d
	24e	e Federal income tax withheld. If any is from Form(s) 1099, check <input type="checkbox"/>	24e
	24h	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 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 2017 estimated tax ; b Refunded.	29	

**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 taxpayer) 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 \_\_\_\_\_

May the IRS discuss this return with the preparer shown below (see instr.)?  Yes  No

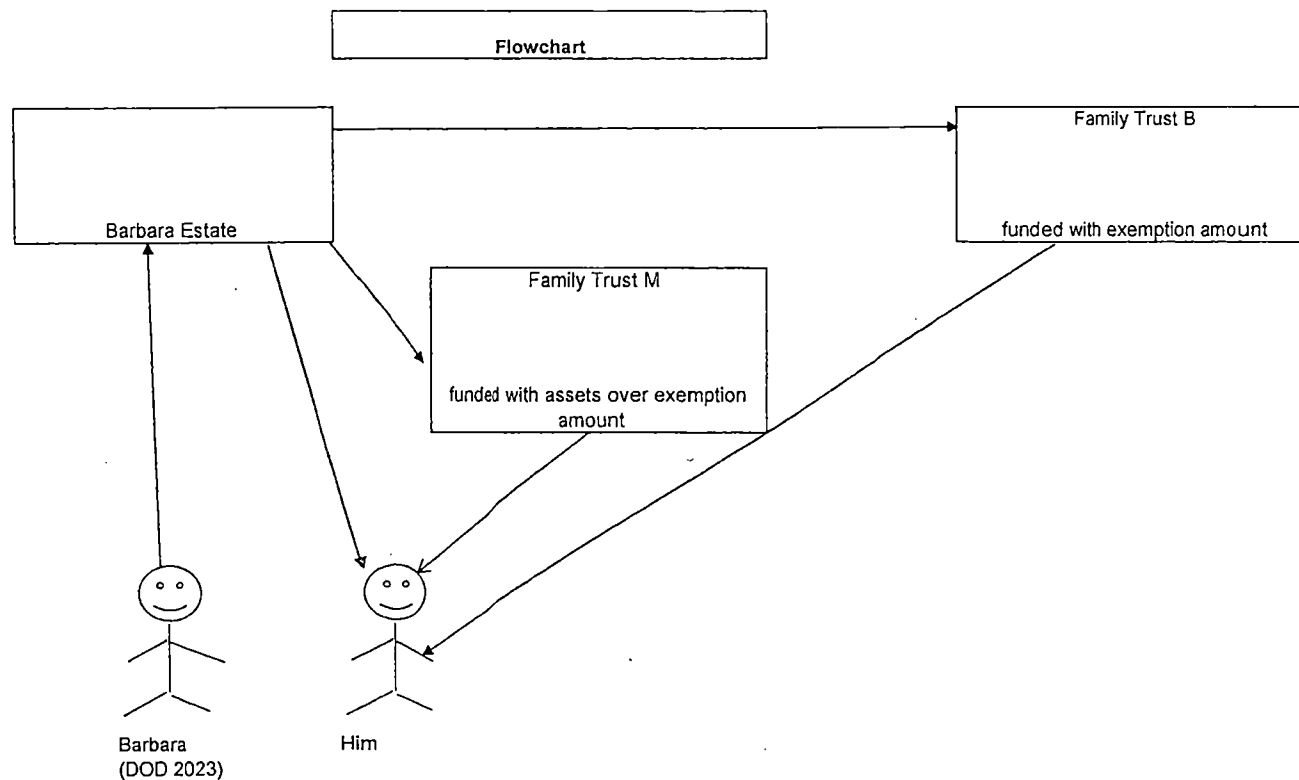
**Paid Preparer Use Only**

Print/Type preparer's name NANCY K. PHILLIPS Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_ Check  if self-employed PTIN \_\_\_\_\_

Firm's name NANCY K. PHILLIPS, PC Firm's EIN \_\_\_\_\_

Firm's address 8604 GREENVILLE AVE., STE 200 Phone no. (214) 361-2444

DALLAS, TX 75243



**Barbara's Estate** is a holding place for her assets that did not automatically go to someone at her death. It will pay tax on the income until we decide where those assets will go.

The **Family Trust B** is to be funded with the "exemption" amount of \$12,920,000. This exemption amount is indexed for inflation and went to \$13,610,000 for persons dying in 2024. It is currently scheduled to revert back to some old numbers on 1-1-26 of about \$7M.

Let the income accumulate here if not needed for your health, education, maintenance and support (HEMS standard). There is no second step-up on these assets at your death.

The **Family Trust M** is the marital trust or all the remaining assets that you didn't inherit outright. At least the income must be taken out annually so this trust will not have an income tax each year since the income is paid out to you it will be taxed on your personal tax return. You are able to take out more than the income if needed. This trust will get a step-up on the underlying assets at your date of death.

## Estate Valuation

Date of Death: 2013  
 Valuation Date: 2013  
 Processing Date: 11/06/2014

Estate of:  
 Report Type: Date of Death  
 Number of Securities: 14  
 File ID:

Shares or Par	Security Description	High/Ask	Low/Bid	Mean and/or Adjustments	Div and Int Accruals	Security Value
1)	450 ALTRIA GROUP INC (02209S103) COM New York Stock Exchange 10/07/2013 Div: 0.48 Ex: 09/12/2013 Rec: 09/16/2013 Pay: 10/10/2013	34.99000	34.43000 H/L	34.710000	216.00	15,619.50
2)	48500 EXXON MOBIL CORP (30231G102) COM New York Stock Exchange 10/07/2013	86.29000	85.27000 H/L	85.780000		4,160,330.00
3)	155 EXXON MOBIL CORP (302290101) COM New York Stock Exchange 10/07/2013	86.29000	85.27000 H/L	85.780000		13,295.90
4)	100 EXXON MOBIL CORP (302290101) COM New York Stock Exchange 10/07/2013	86.29000	85.27000 H/L	85.780000		8,578.00
5)	600 PHILIP MORRIS INTL INC (718172109) COM New York Stock Exchange 10/07/2013 Div: 0.94 Ex: 09/24/2013 Rec: 09/26/2013 Pay: 10/11/2013	87.26000	86.47000 H/L	86.865000	564.00	52,119.00
6)	415 MONDELEZ INTL INC (609207105) CL A NASDAQ Stock Market 10/07/2013 Div: 0.14 Ex: 09/26/2013 Rec: 09/30/2013 Pay: 10/15/2013	30.91000	30.33000 H/L	30.620000	58.10	12,707.30
7)	138 KRAFT FOODS GROUP INC (KRFT) COM NASDAQ Stock Market 10/07/2013	54.36000	52.71000 H/L	53.535000		7,387.83
8)	300 COLGATE PALMOLIVE CO (194162103) COM New York Stock Exchange 10/07/2013	59.42000	58.87500 H/L	59.147500		17,744.25
9)	200 NEXTERA ENERGY INC (65339F101) COM New York Stock Exchange 10/07/2013	79.89000	79.15000 H/L	79.520000		15,904.00
10)	400 AT&T INC (00206R102) COM New York Stock Exchange 10/07/2013	34.13000	33.63000 H/L	33.880000		13,552.00
11)	250 GLAXOSMITHKLINE PLC (37733W105) SPONSORED ADR New York Stock Exchange 10/07/2013	50.56000	50.08000 H/L	50.320000		12,580.00

Date of Death: /2013  
 Valuation Date: /2013  
 Processing Date: 11/06/2014

Estate of:  
 Report Type: Date of Death  
 Number of Securities: 14  
 File ID:

Shares or Par	Security Description	High/Ask	Low/Bid	Mean and/or Adjustments	Div and Int Accruals	Security Value
12)	150 PHILIP MORRIS INTL INC (718172109) COM New York Stock Exchange 10/07/2013  Div: 0.94 Ex: 09/24/2013 Rec: 09/26/2013 Pay: 10/11/2013	87.26000	86.47000 H/L	86.865000	141.00	13,029.75
13)	4349 EXXON MOBIL CORP (30231G102) COM New York Stock Exchange 10/07/2013	86.29000	85.27000 H/L	85.780000		373,057.22
14)	15929 EXXON MOBIL CORP (30231G102) COM New York Stock Exchange 10/07/2013	86.29000	85.27000 H/L	85.780000		1,366,389.62
Total Value:						56,082,294.37
Total Accrual:						\$979.10
Total: \$6,083,273.47						



Form **706**

**United States Estate (and Generation-Skipping Transfer) Tax Return**

OMB No. 1545-0015

(Rev. August 2019)  
Department of the Treasury  
Internal Revenue Service

► Estate of a citizen or resident of the United States (see instructions). To be filed for decedents dying after December 31, 2018.

► Go to [www.irs.gov/Form706](http://www.irs.gov/Form706) for instructions and the latest information.

DECEASED PART AND EXECUTOR	<b>1 a</b> Decedent's first name and middle initial (and maiden name, if any) <b>PAT</b>		<b>1 b</b> Decedent's last name		<b>2</b> Decedent's SSN
	<b>3 a</b> City, town, or post office; county; state or province; country; and ZIP or foreign postal code <b>DALLAS TX 75225</b>		<b>3 b</b> Year domicile estd <b>1979</b>	<b>4</b> Date of birth <b>11/ 9/1950</b>	<b>5</b> Date of death <b>4/1 /2023</b>
	<b>6 a</b> Name of executor (see instructions) <b>RICK</b>		<b>6 b</b> Executor's address (number and street including apartment or suite no.; city, town, or post office; state or province; country; and ZIP or foreign postal code) and phone no. <b>N BLVD</b>		
	<b>6 c</b> Executor's social security number (see instructions)		<b>DALLAS, TX 75225</b> Phone no.		
	<b>6 d</b> If there are multiple executors, check here <input type="checkbox"/> and attach a list showing the names, addresses, telephone numbers, and SSNs of the additional executors.				
	<b>7 a</b> Name and location of court where will was probated or estate administered				<b>7 b</b> Case number
	<b>8</b> If decedent died testate, check here <input checked="" type="checkbox"/> and attach a certified copy of the will.			<b>9</b> If you extended the time to file this Form 706, check here... <input checked="" type="checkbox"/>	
	<b>10</b> If Sch R-1 is att, check here <input type="checkbox"/>		<b>11</b> If you are estimating the value of assets included in the gross estate on line 1 pursuant to the special rule of Reg. section 20.2010-2(a) (7)(ii), check here <input type="checkbox"/>		

PART 2 TAX COMPUTATION	<b>1</b> Total gross estate less exclusion (from Part 5 – Recapitulation, item 13).....	<b>1</b>	5,458,569.
	<b>2</b> Tentative total allowable deductions (from Part 5 – Recapitulation, item 24).....	<b>2</b>	693,193.
	<b>3 a</b> Tentative taxable estate (subtract line 2 from line 1).....	<b>3 a</b>	4,765,376.
	<b>b</b> State death tax deduction.....	<b>3 b</b>	
	<b>c</b> Taxable estate (subtract line 3b from line 3a).....	<b>3 c</b>	4,765,376.
	<b>4</b> Adjusted taxable gifts (see instructions).....	<b>4</b>	0.
	<b>5</b> Add lines 3c and 4.....	<b>5</b>	4,765,376.
	<b>6</b> Tentative tax on the amount on line 5 from Table A in the instructions.....	<b>6</b>	1,851,950.
	<b>7</b> Total gift tax paid or payable (see instructions).....	<b>7</b>	0.
	<b>8</b> Gross estate tax (subtract line 7 from line 6).....	<b>8</b>	1,851,950.
	<b>9 a</b> Basic exclusion amount.....	<b>9 a</b>	12,920,000.
	<b>b</b> Deceased spousal unused exclusion (DSUE) amount from predeceased spouse(s), if any (from Section D, Part 6 – Portability of Deceased Spousal Unused Exclusion).....	<b>9 b</b>	
	<b>c</b> Restored exclusion amount (see instructions).....	<b>9 c</b>	
	<b>d</b> Applicable exclusion amount (add lines 9a, 9b, and 9c).....	<b>9 d</b>	12,920,000.
	<b>e</b> Applicable credit amount (tentative tax on the amount in line 9d from Table A in the instrs).....	<b>9 e</b>	5,113,800.
	<b>10</b> Adjustment to applicable credit amount (May not exceed \$6,000. See instructions.).....	<b>10</b>	
	<b>11</b> Allowable applicable credit amount (subtract line 10 from line 9e).....	<b>11</b>	5,113,800.
	<b>12</b> Subtract line 11 from line 8 (but do not enter less than zero).....	<b>12</b>	0.
	<b>13</b> Credit for foreign death taxes (from Schedule P). (Attach Form(s) 706-CE.).....	<b>13</b>	
	<b>14</b> Credit for tax on prior transfers (from Schedule Q).....	<b>14</b>	
<b>15</b> Total credits (add lines 13 and 14).....	<b>15</b>	0.	
<b>16</b> Net estate tax (subtract line 15 from line 12).....	<b>16</b>	0.	
<b>17</b> Generation-skipping transfer (GST) taxes payable (from Schedule R, Part 2, line 10).....	<b>17</b>	0.	
<b>18</b> Total transfer taxes (add lines 16 and 17).....	<b>18</b>		
<b>19</b> Prior payments (explain in an attached statement).....	<b>19</b>		
<b>20</b> Balance due (or overpayment) (subtract line 19 from line 18).....	<b>20</b>	0.	

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 the executor) is based on all information of which preparer has any knowledge.

Sign Here	Signature of executor _____	Date _____
	Signature of executor _____	Date _____

Paid Preparer Use Only	Print/Type preparer's name <b>NANCY K. PHILLIPS</b>	Preparer's signature <b>NANCY K. PHILLIPS</b>	Date	Check <input type="checkbox"/> if self-employed	PTIN <b>P00.</b>
	Firm's name ► <b>NANCY K. PHILLIPS, PC</b>	Firm's EIN ► <b>75-22</b>			
	Firm's address ► <b>8604 GREENVILLE AVE., STE 200 DALLAS, TX 75243</b>	Phone no. <b>(214) 361-2444</b>			

Decedent's SSN

Estate of: **PAT**

**Part 3 – Elections by the Executor**

Note: For information on electing portability of the decedent's DSUE amount, including how to opt out of the election, see Part 6 – Portability of Deceased Spousal Unused Exclusion.  
 Note: Some of the following elections may require the posting of bonds or liens.

Please check "Yes" or "No" for each question. See instructions.

	Yes	No
1 Do you elect alternate valuation? .....		X
2 Do you elect special-use valuation? If 'Yes,' you must complete and attach Schedule A-1 .....		X
3 Do you elect to pay the taxes in installments as described in section 6166? .....		X
If 'Yes,' you must attach the additional information described in the instructions. Note: By electing section 6166 installment payments, you may be required to provide security for estate tax deferred under section 6166 and interest in the form of a surety bond or a section 6324A lien.		
4 Do you elect to postpone the part of the taxes due to a reversionary or remainder interest as described in section 6163? .....		X

**Part 4 – General Information**

Note: Please attach the necessary supplemental documents. You must attach the death certificate. See instructions.

Authorization to receive confidential tax information under Reg. section 601.504(b)(2)(i); to act as the estate's representative before the IRS; and to make written or oral presentations on behalf of the estate:

Name of representative (print or type)	State	Address (number, street, and room or suite no., city, state, and ZIP code)
NANCY K. PHILLIPS	TX	8604 GREENVILLE AVE., STE 200 DALLAS, TX 75243

I declare that I am the  attorney/  certified public accountant/  enrolled agent (check the applicable box) for the executor. I am not under suspension or disbarment from practice before the Internal Revenue Service and am qualified to practice in the state shown above.

Signature	CAF number	Date	Telephone number
	780		(214) 361-2444

1 Death certificate number and issuing authority (attach a copy of the death certificate to this return).  
 STATE FILE NUMBER 202; HEALTH DEPARTMENT

2 Decedent's business or occupation. If retired, check here  and state decedent's former business or occupation.  
 HOMEMAKER

3 a Marital status of the decedent at time of death:  
 Married  Widow/widower  Single  Legally separated  Divorced

3 b For all prior marriages, list the name and SSN of the former spouse, the date the marriage ended, and whether the marriage ended by annulment, divorce, or death. Attach additional statements of the same size if necessary.

4 a Surviving spouse's name	4 b Social security number	4 c Amount received (see instrs)
RICK		650,694.

5 Individuals (other than the surviving spouse), trusts, or other estates who receive benefits from the estate (do not include charitable beneficiaries shown in Schedule O) (see instructions).

Name of individual, trust, or estate receiving \$5,000 or more	Identifying number	Relationship to decedent	Amount (see instructions)
BYPASS TRUST			
FAMILY TRUST		TRUST	4,765,376.

All unascertainable beneficiaries and those who receive less than \$5,000. ....  
 Total ..... 4,765,376.

If you answer 'Yes' to any of the following questions, you must attach additional information as described.

	Yes	No
6 Is the estate filing a protective claim for refund? .....		X
If 'Yes,' complete and attach two copies of Schedule PC for each claim.		
7 Does the gross estate contain any section 2044 property (qualified terminable interest property (QTIP) from a prior gift or estate)? See instructions. ....		X
8 a Have federal gift tax returns ever been filed? .....		X
If 'Yes,' attach copies of the returns, if available, and furnish the following information.		
b Period(s) covered	c Internal Revenue office(s) where filed	
9 a Was there any insurance on the decedent's life that is not included on the return as part of the gross estate? .....		X
b Did the decedent own any insurance on the life of another that is not included in the gross estate? .....		X



Estate of: PAT]

Part 4 – General Information (continued)

If you answer 'Yes' to any of the following questions, you must attach additional information as described.		Yes	No
10	Did the decedent at the time of death own any property as a joint tenant with right of survivorship in which (a) one or more of the other joint tenants was someone other than the decedent's spouse, and (b) less than the full value of the property is included on the return as part of the gross estate? If 'Yes,' you must complete and attach Schedule E.		X
11 a	Did the decedent, at the time of death, own any interest in a partnership (for example, a family limited partnership), an unincorporated business, or a limited liability company; or own any stock in an inactive or closely held corporation?	X	
b	If 'Yes,' was the value of any interest owned (from above) discounted on this estate tax return? If 'Yes,' see the instructions on reporting the total accumulated or effective discounts taken on Schedule F or G.		X
12	Did the decedent make any transfer described in sections 2035, 2036, 2037, or 2038? See instructions. If 'Yes,' you must complete and attach Schedule G.	X	
13 a	Were there in existence at the time of the decedent's death any trusts created by the decedent during his or her lifetime?	X	
b	Were there in existence at the time of the decedent's death any trusts not created by the decedent under which the decedent possessed any power, beneficial interest, or trusteeship?		X
c	Was the decedent receiving income from a trust created after October 22, 1986, by a parent or grandparent?		X
	If 'Yes,' was there a GST taxable termination (under section 2612) on the death of the decedent?		X
d	If there was a GST taxable termination (under section 2612), attach a statement to explain. Provide a copy of the trust or will creating the trust, and give the name, address, and phone number of the current trustee(s).		
e	Did the decedent at any time during his or her lifetime transfer or sell an interest in a partnership, limited liability company, or closely held corporation to a trust described in line 13a or 13b?		X
	If 'Yes,' provide the EIN for this transferred/sold item.		
14	Did the decedent ever possess, exercise, or release any general power of appointment? If 'Yes,' you must complete and attach Schedule H.		X
15	Did the decedent have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account?		X
16	Was the decedent, immediately before death, receiving an annuity described in the 'General' paragraph of the instructions for Schedule I or a private annuity? If 'Yes,' you must complete and attach Schedule I.		X
17	Was the decedent ever the beneficiary of a trust for which a deduction was claimed by the estate of a predeceased spouse under section 2056(b)(7) and which is not reported on this return? If 'Yes,' attach an explanation.		X

Part 5 – Recapitulation. Note: If estimating the value of one or more assets pursuant to the special rule of Reg. sec. 20.2010-2(a)(7)(ii), enter on both lines 10 and 23 the amount noted in the instructions for the corresponding range of values. See instructions for details.

Item no.	Gross estate	Alternate value	Value at date of death
1	Schedule A – Real Estate	1	0.
2	Schedule B – Stocks and Bonds	2	0.
3	Schedule C – Mortgages, Notes, and Cash	3	9,808.
4	Schedule D – Insurance on the Decedent's Life (attach Form(s) 712)	4	0.
5	Schedule E – Jointly Owned Property (attach Form(s) 712 for life insurance)	5	0.
6	Schedule F – Other Miscellaneous Property (attach Form(s) 712 for life insurance)	6	41,956.
7	Schedule G – Transfers During Decedent's Life (attach Form(s) 712 for life insurance)	7	4,807,875.
8	Schedule H – Powers of Appointment	8	0.
9	Schedule I – Annuities	9	598,930.
10	Estimated value of assets subject to the special rule of Reg. section 20.2010-2(a)(7)(ii)	10	0.
11	Total gross estate (add items 1 through 10)	11	5,458,569.
12	Schedule U – Qualified Conservation Easement Exclusion	12	0.
13	Total gross estate less exclusion (subtract item 12 from item 11). Enter here and on line 1 of Part 2 – Tax Computation	13	5,458,569.
Item no.	Deductions	Amount	
14	Schedule J – Funeral Expenses and Expenses Incurred in Administering Property Subject to Claims	14	42,499.
15	Schedule K – Debts of the Decedent	15	0.
16	Schedule K – Mortgages and Liens	16	0.
17	Total of items 14 through 16	17	42,499.
18	Allowable amount of deductions from item 17 (see the instructions for item 18 of the Recapitulation)	18	42,499.
19	Schedule L – Net Losses During Administration	19	0.
20	Schedule L – Expenses Incurred in Administering Property Not Subject to Claims	20	0.
21	Schedule M – Bequests, etc., to Surviving Spouse	21	650,694.
22	Schedule O – Charitable, Public, and Similar Gifts and Bequests	22	0.
23	Estimated value of deductible assets subject to the special rule of Reg. section 20.2010-2(a)(7)(ii)	23	0.
24	Tentative total allowable deductions (add items 18 through 23). Enter here and on line 2 of the Tax Computation	24	693,193.

Estate of: PAT

**Part 6—Portability of Deceased Spousal Unused Exclusion (DSUE)**

**Portability Election**

A decedent with a surviving spouse elects portability of the DSUE amount, if any, by completing and timely filing this return. No further action is required to elect portability of the DSUE amount to allow the surviving spouse to use the decedent's DSUE amount.

**Section A. Opting Out of Portability**

The estate of a decedent with a surviving spouse may opt out of electing portability of the DSUE amount. Check here and do not complete Sections B and C of Part 6 only if the estate opts NOT to elect portability of the DSUE amount.

**Section B. Qualified Domestic Trust (QDOT)**

Are any assets of the estate being transferred to a QDOT? .....

Yes	No

If 'Yes,' the DSUE amount portable to a surviving spouse (calculated in Section C, below) is preliminary and shall be redetermined at the time of the final distribution or other taxable event imposing estate tax under section 2056A. See instructions for more details.

**Section C. DSUE Amount Portable to the Surviving Spouse** (To be completed by the estate of a decedent making a portability election.)

Complete the following calculation to determine the DSUE amount that can be transferred to the surviving spouse.

1	Enter the amount from line 9d, Part 2 – Tax Computation.....	1	12,920,000.
2	Reserved.....	2	
3	Enter the value of the cumulative lifetime gifts on which tax was paid or payable. See instructions.....	3	
4	Add lines 1 and 3.....	4	12,920,000.
5	Enter amount from line 10, Part 2 – Tax Computation.....	5	
6	Divide amount on line 5 by 40% (0.40) (do not enter less than zero).....	6	
7	Subtract line 6 from line 4.....	7	12,920,000.
8	Enter the amount from line 5, Part 2 – Tax Computation.....	8	4,765,376.
9	Subtract line 8 from line 7 (do not enter less than zero).....	9	8,154,624.
10	DSUE amount portable to surviving spouse (Enter lesser of line 9 or line 9a, Part 2 – Tax Computation).....	10	8,154,624.

**Section D. DSUE Amount Received From Predeceased Spouse(s)** (To be completed by the estate of a deceased surviving spouse with DSUE amount from predeceased spouse(s))

Provide the following information to determine the DSUE amount received from deceased spouses.

A Name of Deceased Spouse (dates of death after December 31, 2010, only)	B Date of Death (enter as mm/dd/yy)	C Portability Election Made?		D If 'Yes,' DSUE Amount Received From Spouse	E DSUE Amount Applied by Decedent to Lifetime Gifts	F Year of Form 709 Reporting Use of DSUE Amount Listed in col. E	G Remaining DSUE Amount, if any (subtract column E from column D)
		Yes	No				
<b>Part 1 – DSUE RECEIVED FROM LAST DECEASED SPOUSE</b>							
<b>Part 2 – DSUE RECEIVED FROM OTHER PREDECEASED SPOUSE(S) AND USED BY DECEDENT</b>							
<b>Total (for all DSUE amounts from predeceased spouse(s) applied).....</b>							

Add the amount from Part 1, column D, and the total from Part 2, column E. Enter the result on line 9b,

Part 2 – Tax Computation. ....