

# Taxes For Those Who Have Lost a Spouse

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# Today's Presenter

- Lawrence Pon

- Lawrence Pon is a Certified Public Accountant, Personal Financial Specialist, Certified Financial Planner, Enrolled Agent, United States Tax Court Practitioner, and Accredited Estate Planner in Redwood Shores, CA
- Mr. Pon has been in practice since 1986 and speaks regularly to tax professionals on the latest tax planning and preparation topics throughout California and nationally.
- Mr. Pon received his BS in Business Administration from UC Berkeley and MS in Taxation from Golden Gate University in San Francisco

# Death of a Spouse

- 1.5 million Americans become widows and widowers per year
- At least 380,000 of more than 700,000 people in the US who have died from Covid were married
  - The National Center for Family and Marriage Research in Bowling Green State University
- Two-thirds of surviving spouses are women

# Filing an Estate-Tax Return

- Estate and Gift Tax Exemption for 2022 = \$12,060,000
  - For 2020, about 1,900 people paid estate tax
  - Form 706
- Portability
  - Take advantage of the deceased spouse's unused exemptions
  - Add to their own exemption
  - Protection against future tax changes
  - Watch out for the timing

# Tax-Bracket Shifts

- Married filing jointly vs. single
  - Watch out for tax brackets
- If dependent children
  - Surviving widow or widower
    - Retain benefits of filing jointly for up to two years after the year of the spouse's death
  - Thereafter file as Head of Household
- Tax planning
  - Accelerate income in year of death?
  - Large medical deductions?

# 2022 Tax Brackets

Tax Rate	Single Filers	Married Filing Jointly	Head of Household
10%	\$0 to \$10,275	\$0 to \$20,550	\$0 to \$14,650
12%	\$10,275 to \$41,775	\$20,550 to \$83,550	\$14,650 to \$55,900
22%	\$41,775 to 89,075	\$83,550 to \$178,150	\$55,900 to \$89,050
24%	\$89,075 to 170,050	\$178,150 to \$340,100	\$89,050 to \$170,050
32%	\$170,050 to 215,950	\$340,100 to \$431,900	\$170,050 to \$215,950
35%	\$215,950 to \$539,900	\$431,900 to \$647,850	\$215,950 to \$539,900
37%	\$539,900 or more	\$647,850 or more	\$539,900 or more

# Step Up in Basis

- Property such as house, stocks, business reset cost basis
  - Community property states
    - Full step up
  - Noncommunity property states
    - Half step up

# Sale of Home

- Married filing jointly qualify for \$500,000 of gain exclusion from sale of home.
- Exclusion drops to \$250,000 for single
- Consider step up in basis



# Retirement Accounts

- Consider age of surviving spouse
  - Under age 59 ½
    - Consider not rolling over to surviving spouse
      - May be subject to 10% early distribution penalty
    - Leave retirement account in name of deceased spouse
  - Surviving spouse can always rollover later
- Consider age of deceased spouse
  - Subject to Required Minimum Distributions
- Always review beneficiary designations
  - Update beneficiary designations

# Retirement Accounts

- Roth Conversions
  - Year of death
  - Review tax brackets

# What If Partner Was Not Spouse

- Unmarried Partners
  - Domestic Partners
  - Common Law Marriage
- Pay-on-death accounts
- Beneficiary Designations
- Property Ownership
- Insurance
- Reasons to marry
- Reasons not to marry

# What If Partner Was Not Spouse

- Reasons to Marry
  - Emotional/religious reasons
  - Family
  - Sale of home
  - Health Insurance
  - Social Security
  - Estate Tax
  - Gift Tax

# What If Partner Was Not Spouse

- Reasons Not to Marry
  - Tax planning
    - Marriage penalty
  - IRA Deduction
  - Medicaid issues
  - Estate Planning
    - Blended families
    - Modern families

# Estate Planning

- Living Trusts
- Choosing a Trustee
  - Trustee's duties
  - Conflict of interests
- Update title to properties

# Tax Planning

- Review withholding
- Review estimated tax payment requirements
- Review tax projections
  - End of life care
  - Social Security Benefits
- Update estate planning documents

# Other Considerations

- Social Security
- Contact employer
  - Benefits
  - Retirement plans
  - Medical insurance
  - Contact former employers
  - Life Insurance
- Veteran's Administration
- Financial Aid



# Resources

- National Institute on Aging
  - Mourning the Death of a Spouse
    - <https://www.nia.nih.gov/health/mourning-death-spouse>
- Social Security
  - If You Are The Survivor
    - <https://www.ssa.gov/benefits/survivors/ifyou.html>
- IRS.gov
  - Topic No. 356 – Decedents
    - <https://www.irs.gov/taxtopics/tc356>

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