



## **Estate Administration Step-by-Step**

1. Locate will and codicils.
2. Make a preliminary inventory of the decedent's assets and liabilities. Determine which assets are probate assets. If the value of the probate assets is high enough to require probate under state law, apply for probate and qualify as executor.
3. Verify deadlines for probate and tax filings: (a) estate tax return, (b) gift tax return for decedent's final year, (c) fiduciary income tax return, (d) decedent's final 1040, and (e) Forms 1040 for preceding years unfiled by decedent.
4. Obtain an employer identification number (EIN).
5. Notify the IRS of fiduciary relationship using Form 56. The IRS will send notices concerning the decedent's tax liability to the decedent's last known address until the form is filed.
6. Locate and arrange to collect probate property. Open an estate checking account and transfer assets to cover expenses.
7. Notify all payers who issued Form 1099 to the decedent in the previous year of the decedent's death. For probate assets, provide the recipient's Social Security number and request that after-death income be reported to the recipient.
8. Prepare a detailed inventory and valuation. Arrange for appraisals of property if required for Form 706 or for the probate proceeding. If Form 706 is required, nonprobate assets must also be valued.
9. Hold and manage property during probate and collect income.
10. Keep detailed records and receipts of all transactions that occur within the estate. A detailed accounting (in most cases) must be filed with the Commissioner of Accounts within 16 months of qualification.
11. If the estate is solvent and distributions are authorized by state law, pay administrative expenses as incurred, pay claims as they are settled, and make partial distributions to beneficiaries if appropriate.

12. Sell property if assets are needed to pay expenses or claims or if distribution in kind is not practical (check state law to determine authority to sell).
13. File tax returns as they become due. Make estimated tax payments if required for any tax year ending two or more years after decedent's death.
14. Optional—Request prompt assessment under Section 6501(d) to shorten the statute of limitations on income tax returns from three years to 18 months. File Form 4810 separately after the returns are filed. Prompt assessment is available for Form 1040 and Form 1041 returns, including returns filed by the decedent before death.
15. Optional—Request discharge from personal liability for estate tax by writing to the district director. The IRS must notify the personal representative of any tax liability within nine months of filing the request or Form 706, whichever is later. (The IRS generally will notify the personal representative whether the return is accepted or will be audited within this time, even without the request.) A similar procedure is available for the decedent's income and gift taxes under Section 6905.
16. After final determination of estate tax liability and the expiration of the probate creditor period, prepare to close the estate. Plan for payment of final expenses and taxes.
17. Pay any remaining claims against the estate.
18. Pay any specific gifts made by the will.
19. Account to the heirs entitled to share the residual estate, and distribute the estate assets according to the terms of the will or state intestacy law.
20. Close probate. Estate administration generally ends either by court order or after the personal representative submits a closing document to the court. An estate can terminate for federal income tax purposes before the administration ends under state law. An estate terminates for income tax purposes when all assets have been distributed except for a reasonable amount set aside in good faith for payment of unascertained or contingent expenses. A personal representative can file a final Form 1041 return even though a set-aside amount is held in an estate account. After the estate terminates for tax purposes, the beneficiaries report any gross income, deductions and credits of the estate.