Filing Final Tax Returns for the Deceased

When a family member passes away, there are many decisions that need to be made and many emotions to handle. The last thing anyone thinks about is taxes.

Unfortunately, even the deceased can't escape taxation. If the departed family member earned taxable income during the year in which they died, then federal taxes may be owed. An executor or a survivor must, therefore, file a final federal income tax return (Form 1040).[1]

Similarly, if the deceased individual had a sizable estate or assets that might generate income in the future, the estate may owe taxes. Federal estate tax forms pertaining to the decedent's estate may need to be filed (Form 1041, Form 706).[2,3]

The information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties. Please consult a professional with tax expertise if you find yourself in this situation.

Income Taxes

The Internal Revenue Service generally gives you until April 15 of the year following the taxpayer's death to file a final 1040 form. If the deceased was married, a surviving spouse has the option to file a final joint federal tax return for the last year in which the deceased lived.[4]

If you file the return online, the IRS provides instructions on all of this. If you are filing a paper return, you must write "Deceased," the decedent's name, and the date of death at the top of the 1040 form. An appointed personal representative and/or surviving spouse must sign this return per IRS guidelines. If a refund is due, you may need to file a Form 1310 (Statement of Person Claiming Refund Due a Deceased Taxpayer).[4,5]

Estate Taxes

If an estate is large enough, Form 706 (the United States Estate Tax Return) is due to the IRS within nine months of the death of the deceased, with a 6-month extension permitted. The individual federal estate tax exemption is $13.61 million for 2024, so an estate smaller than $13.61 million may not be faced with estate taxes unless the deceased individual made substantial monetary gifts before their passing.[6,7]

When the decedent's estate has an executor or administrator (in IRS terminology, an "appointed personal representative"), they must sign the return for the decedent. For a joint return, the spouse must also sign. Alternatively, a survivor of the deceased can file the return.[4]

If an estate generates more than $600 in gross yearly income within 12 months of that taxpayer's death, it will also be necessary to file Form 1041 (U.S. Income Tax Return for Estates and Trusts), usually by April 15 of the year after the year in which the individual died. Should 100%

of the income-generating assets of the deceased be exempt from probate, the need to file Form 1041 is removed. Estates required to file Form 1041 should consult a tax professional.[8]

Lastly, there are some cases where expenses paid before death can be deductible. Under certain circumstances, part of the cost of treating a final illness may be deducted on the deceased's final federal tax return.[9]

You Are Not Alone

A death in the family can take a heavy toll. In the event of such a tragedy, the last thing you may want to do is deal with the related financial issues. Contact us – we are here to help.

1. IRS.gov, 2024
2. IRS.gov, 2024
3. IRS.gov, 2024
4. IRS.gov, 2024
5. Investopedia.com, November 28, 2023
6. IRS.gov, 2024
7. IRS.gov, 2024
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9. IRS.gov, 2024