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How to deal with net losses in a decedent's estate

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By **Karin Price Mueller/The Star-Ledger**

Q. I am executor and sole heir of my father's estate. The estate assets included mutual funds that lost \$30,000 (22 percent) of value from the date of his death and their sale. The estate trust has no income and will not benefit from this capital loss. Is it possible for me allocate this capital loss to my individual return so I can benefit from the unused capital loss carryover?

— *Surviving heir*

A. A net operating loss sustained by a decedent before death does not pass to the decedent's estate, to the beneficiaries under a will or to the heirs at law, said **Bernie Kiely**, a certified financial planner and certified public accountant with **Kiely Capital Management** in Morristown.

He said the smaller of the loss or \$3,000 can be deducted on the decedent's final income tax return, Form 1040. If the loss is greater than \$3,000 the unused balance is gone forever.

Kiely said in your case the loss was incurred after your father's death so it belongs to his estate. The loss would be reported on Schedule "D" on the estate income tax return, Form 1041.

If the estate is not yet closed, the capital loss remains with the estate and cannot be passed to a beneficiary while the estate is still open. In the year the estate is terminated the capital loss passes to the beneficiary on form K-1, Kiely said, and the capital loss retains its character as either long-term or short-term.

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