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What Is Includable In Your Estate?

Most of us have heard the expression: “Nothing is certain in life but death and taxes.” For some of us, taxes may be owed even after death. Depending on the size of your estate, estate taxes, state and/or federal, may be due. To determine your potential estate tax liability, it is important to understand the assets that are considered part of your estate.

- **Real Property.** Any real property that you own, regardless of where in the world it is located, including your residence, vacation home, rental property, or condominium, is included in your gross estate. If your property is held solely in your name or in the name of your living trust, the full value will be included in your gross estate. If your deed provides that you and your spouse own the property with right of survivorship, and you die first, only one-half (1/2) of the value of the real property will be included in your gross estate.

If you own the property with anyone other than a spouse with right of survivorship, the entire value of the property will be included in your gross estate unless it can be demonstrated that the other owner contributed to the purchase of the property. If the property is owned with another as tenants-in-common, only your proportionate interest in the property will be included in your gross estate.

- **Personal Property.** Any jewelry, furniture, artwork, clothing, collectibles and electronics that you own upon your death will be included in calculating the value of your gross estate.

- **Vehicles.** Any cars, boats, or other vehicles that you own will be included in your gross estate. If the vehicle is titled in your name or in the name of your living trust, the full value as of your date of death will be included in your gross estate. If you own the vehicle jointly with your spouse, one-half (1/2) of the value will be included and, if it is owned jointly with someone other than your spouse, the entire value will be included unless it can be proven that the other owner contributed to the purchase of the vehicle.

- **Bank Accounts.** Checking accounts, savings accounts, money markets, and certificates of deposit are included in your gross estate. The same rules described above with respect to ownership and title of real property also apply to ownership and title of bank accounts.

- **Stocks and Bonds.** Stocks and bonds of any kind, whether issued by domestic or foreign corporations or governments, are includable in your gross estate.

- **Life Insurance.** Many people are surprised to learn that life insurance proceeds on their own lives ARE typically included in calculating their gross estate, even if they are payable to named beneficiaries. This is because, at the time of death, the insured person paid the premiums and retained incidents of ownership such as the right to cancel the policy, the power to change beneficiaries, and the ability to pledge the policy as security for a loan. However, the value of a life insurance policy can be removed from your estate with appropriate planning – even after the policy is purchased.

- **Business Interests.** The value of an interest in any business that you own at death, whether as a proprietor, a partner or corporate shareholder is includable in your gross estate.

- **Rights to Future Income.** The right to payments under a deferred compensation agreement or partnership income continuation plan may be includable in your estate. These rights are known as “income in respect of a decedent” and may be includable at their present commuted value.

These are examples of the interests that may be includable in your gross estate but the list is not exhaustive. The determination of what else will be included in your estate requires individual analysis. Certain estate planning documents, coupled with adjustments to property ownership arrangements, can help minimize estate taxes. It is advisable to have your estate plan reevaluated from time to time to help protect your beneficiaries and heirs from the burden of meeting estate tax requirements.