



## ESTATE PLANNING WORKSHEET

A generation ago in Taos, and in many other communities around the country, most parents handed down their homes, land and money to their children with ease, and with no inheritance or estate taxes due. Times have changed.

Because land is worth so much more now than it was worth in 1960, 1970, or even 1980, many families own property and homes that are worth millions of dollars on the current real estate market. Land in Des Montes, for example, is currently selling for \$90,000 per acre.

If a family owns 32 acres and a home there, they may have assets worth \$3 million.

Suppose the elders own 32 acres at \$90,000/acre	= \$2,880,000
plus one modest home worth, say	= \$ 100,000
plus total cash in the bank of, say	= \$ 20,000
for total assets belonging to the family elders of	= \$3,000,000

The total assets owned by the family elders is called their estate. The federal estate tax law says that each family elder may hand down to their children \$1.5 million in value in 2004 without owing any tax. If the family plans carefully and legally divides the entire estate between the parents, then each can hand down \$1.5 million worth of value to their heirs tax-free.

If the parents in the above example do no planning, and one parent passes away before the other, the remaining parent will automatically inherit the whole estate. If no further planning is done, when the remaining parent passes away, \$1.5 million will be inherited by the heirs tax-free. However, the remaining \$1.5 million in value will be taxed at approximately 45%. \$1.5 million times 45% = \$675,000. The estate tax law says that amount must be paid to the federal government within nine months of the passing away of the elder.

This very difficult circumstance can be avoided in many cases with careful planning. One good place for families to start is to privately calculate the total assets of the older generation, provided that is all right with them. If any taxes might be due, planning strategies can be explored.

There are many ways families can plan to reduce and possibly eliminate the burden of estate tax. The Taos Land Trust recognizes that families have worked hard for what they own, and is committed to assisting them to manage their assets as they see fit. The Land Trust can suggest strategies for families who are working to keep their estate taxes as low as possible.

The purpose of this worksheet is to bring attention to circumstances that land-owning families in the Taos area may face. It is not intended to provide specific tax advice, but rather to give a general outline of the law. Tax laws do change regularly, and because every family's situation and goals are different, we recommend seeking professional guidance on these matters.

Taos Land Trust staff can help you explore your situation, if you desire, and can recommend competent professionals who can offer further assistance. The Taos Land Trust is a non-profit community service organization, providing information and consultation to benefit families in the Taos area.

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This worksheet is designed to help families to figure the value of what they own (their estate). This information can be very helpful as a family considers its goals for the future. As the older generation hands down their assets to their children, the family will want to know in advance if there might be any tax due on their estate. If the family knows there may be tax due, good planning while the parents are alive and well can reduce or eliminate the tax burden for the children. The goal of this effort is to get the family's accumulated wealth to the next generation intact!

This worksheet is for my family's personal reference. We may use this information to consult with professional advisors as we work to achieve our family's goals.

Please enter all assets that are in the estate of the generation being considered – the grandfather and grandmother, for example.

1) Total financial assets, including cash, bank accounts, stocks, bonds, life insurance policies, retirement plans like an IRA, etc.

= \_\_\_\_\_

2) Total land owned in acres figured at the current market value of that land – what someone would pay for the land if it were sold now.

\_\_\_\_\_ acres time value per acre \_\_\_\_\_ = \_\_\_\_\_

\_\_\_\_\_ acres time value per acre \_\_\_\_\_ = \_\_\_\_\_

3) Total buildings owned figures at their current market value

= \_\_\_\_\_

4) Additional valuable assets – vehicles, boats, jewelry, artwork, etc.

= \_\_\_\_\_

**Estimated total assets**

= \_\_\_\_\_

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**Estimated total assets from page 2** = \_\_\_\_\_

The total amount one person can hand down to his children tax-free in 2004 is \$1.5 million.

The total amount a couple can hand down to their heirs tax-free in 2004, provided the entire estate is legally divided between them, is \$3 million.

Total amount our family can pass to our heirs tax-free = \_\_\_\_\_

Subtract the amount that can be handed down tax-free from the family's total assets. This amount is subject to estate tax = \_\_\_\_\_

The estate tax rate in 2004 is approximately 45% (depending on the taxable amount).

Multiply the amount subject to estate tax times 45%.

This is the estimated amount the heirs will owe the federal government when the older generation passes away.

Good planning can reduce or eliminate this tax. = \_\_\_\_\_

The Taos Land Trust respects the hard work the elders in our community have done to provide for their families. Good planning can help them to preserve what they have earned for their children and grandchildren.

This document is designed to assist families in planning for the future. It is not intended to serve as professional tax advice. Check with the Taos Land Trust for referrals to professionals who can offer guidance for your particular situation.

**Taos Land Trust**

**Office address: 482A State Highway 150 Unit 2, Arroyo Seco, NM 87514**

**Mailing address: PO Box 376, Taos, NM 87571**

**Tel: 505-751-3138 Fax: 505-751-1189**

**[info@taoslandtrust.org](mailto:info@taoslandtrust.org)**

**[www.taoslandtrust.org](http://www.taoslandtrust.org)**