Death and Taxes 2

We kept our guardian angels on a frenetic pace whenever the fresh smell of sap stained the palms of our busy little hands. The cedar-sweetened scent of the shady rainforest beckoned, daily, and a near-death adventure invariably followed.

Sitting in a grove of trees conjuring up our next war strategy (yes, we played “war.” Care Bears hadn't been thought of yet) one kid got bored with all the planning and scooted up a tree for a better view of the enemy. All through the rich, moist grounds of the North Shore forests, were punky blow downs of soft logs which made for great walkways, benches, or salamander hotels. In this case, benches.

So, while we were deep in stratagem, the kid who had scrambled up the tree quite suddenly fell, flat on his back about ten feet from his perch. He landed right on one of the bench-logs, and just slept, like he was dead. We looked at each other, terrified. The corpse just lay there.

One of the soldiers came to his side, shook his shoulders, and desperately whispered: “John! Don't be dead!”

John slept, and the medic turned his eyes back toward the generals, with that look a little guy gets just before the tears start to flow. Just then the dead guy jumped up and grabbed the medic in an elbow neck lock, and pronounced: “ Yourrrrr Dead!”

We never felt so alive for the reprieve!

Death and taxes, Part 2
Coping with the death of someone you care about is stressful enough. The legal, financial and tax considerations at this time only add to this stress. This is the second in a several weeks long series on the intricacies of estate taxation.

Due dates for filing tax returns
The deadlines for filing returns may vary depending on whether it’s a final return, an optional return, or a return for a year prior to death.

A. Final tax return of the deceased:
In general, the filing due date for the final return is the same as for all individual income tax returns (April 30 of the following year or June 15 for taxpayers carrying on a business), or six months after the date of death, whichever date is later.

The due date for filing the T1 return of a surviving spouse or common-law partner who was living with the deceased is the same as the due date for filing the deceased’s final return. However, in an annoying little quirk of bureaucratic snootiness, any balance owing on the surviving spouse or common-law partner’s return still has to be paid on or before April 30 of the following year to avoid interest charges.
That's handy. Not.

B. Previous year return
A person may die after December 31, but on or before the filing due date for his or her T1 return for the immediately preceding year (usually April 30). In such a case, if that person has not yet filed that return, the due date is six months after the date of death.

The due date for filing the prior year T1 return of a surviving spouse or common-law partner who was living with the deceased is the same as the due date for filing the deceased’s. However, any balance owing on the surviving spouse’s or common-law partner’s return must be paid on or before April 30 to avoid interest charges, because… government.

Trusts:
The deceased's Will or a court order may set up a testamentary spousal or common-law partner trust. When testamentary debts of the deceased or the estate are being handled through the trust, the due date for the final return is extended to 18 months after the date of death.

Oh my goodness this stuff is boring. There are enough jots and tittles on tax due dates to decaffeinate Columbia, but suffice it to say, hire a good accountant and save yourself some grief. Having gotten that off my finger, there are a few things which the layperson can and should know about this stuff.

The Creditor You Maybe Never Knew You Had:
Unless we have a surviving spouse, the day we die, all our untaxed assets are triggered in to income, making a whopper of a tax bill due on the due dates noted above.

There are a few exceptions to this rule which could warrant a separate article, but here's a cool one. Sometimes, the fair market value of the property of an RRSP/RRIF can decrease between the date of death and the date of final distribution to the beneficiary or the estate. If the total of all distributions from the RRSP/ RRIF is less than the FMV of the property that was included in the deceased's income for the year of death, the legal representative can request that the difference between the FMV and the total be deducted on the deceased's final return. Generally, for the deduction to be allowed, the final distribution must occur by the end of the year that follows the year of death. Just to keep us guessing, occasionally the rules actually make some sense!

The information in this article is not intended to provide individualized legal or tax advice. Readers should obtain professional advice from a qualified tax and/or legal advisor before acting on it.

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