

\$10.5 Million Estate Saves \$41,173 in Taxes and Finds a Trusted Advisor in Burt & Company CPAs



Bruce and his brothers were shocked when their reclusive Aunt Peggy passed away in the fall of 2009 and they learned that they were the chief beneficiaries of an estate worth \$10.5 million. It was at their Aunt Peggy's funeral on Long Island that her 80-year-old long-time attorney and executor of her estate, Dan C., told the brothers that they would soon be wealthier than they had ever imagined.

With the nine beneficiaries on board, Dan began the process of organizing the chaos of Peggy's financial affairs and liquidating her assets, which included a co-op apartment on Park Avenue, two properties on Long Island, and a large stock portfolio. However, before this complex estate could be settled, Dan had a fatal heart attack. Bruce – the youngest of the brothers and a retired professor of art – was chosen by family consensus to take on the role of completing what Dan had begun. The brothers found a law firm in New York City to take on the legal aspects of the estate, and Bruce was assigned the

task of finding an accounting firm to help with the tax and accounting issues.

IRS Demands More

And there were plenty of tax issues. The IRS had found problems with the tax returns prepared by Dan, an old-school attorney who used a typewriter to fill out the forms and hand-written ledgers to record transactions. The IRS audited Peggy's estate tax return, and determined that the estate was undervalued by \$768,000. This resulted in an additional \$413,000 in tax and \$69,000 in penalties. The IRS also had questions about her final 1040, and demanded an additional \$43,000 in tax and penalties.

Finding a Trusted Advisor in Burt & Company CPAs

Bruce, who was living in Albuquerque at the time, wanted local accountants, someone he could sit across the table from. They needed experience with New York taxes. His financial advisor suggested Burt & Company CPAs. A meeting was arranged to sound them out, and there Bruce met "some very honest folks who would like to have my business ... I felt very comfortable that I could have a conversation when I needed to." Bruce met with Ron Schranz, "who's a very upbeat and smiling guy, who no doubt is one of the quintessential professional accountants in all of the western part of the United States if not elsewhere, and when I left my first meeting my impression was OK, I'm gonna work with these folks."

Tax Issues Resolved and Assets Accounted For

The tax team at Burt & Company got to work immediately to unravel the tax issues. Staff members were able to reconcile the amounts reported on the tax returns with statements from brokers and banks. An amended final 1040 for Peggy saved the estate \$41,173. Ron urged Bruce to approach Dan's estate for reimbursement of the additional \$69,000 in penalties and interest levied on the \$768,000 understatement of Peggy's estate, since that error took place on Dan's watch. Dan's estate eventually agreed to pay half of this amount. The remaining tax returns for the estate were all prepared in a timely manner with information promptly provided to the beneficiaries, which greatly eased the pressure on Bruce.

Burt & Company was also tasked with accounting for the assets of the estate. A staff member traced assets from the listing on the estate tax return through sales documents, brokerage statements and bank accounts to their eventual distribution as cash to the beneficiaries. This task alone required hours of poring over Dan's hand-written ledgers to reconcile those numbers with bank deposits and IRS records, plus hours on the phone working with the IRS. In the end, everything was accounted for.

Reassurance by a Trusted Advisor

The errors made during Dan's time as executor made Bruce especially wary about the details of financial transactions. Ron and the staff at Burt & Company were able to explain the tax issues to Bruce in a way that he could "ascertain what all that really meant and help me to get a night's sleep." He greatly appreciated the availability of staff to answer any questions that came up and to make sure that all tax filings and payments were done in a timely manner. He credits the team effort between the attorneys, the stockbroker who arranged for the sale of the securities and the accountants at Burt & Company with making the experience more pleasurable.

Assistance Beyond Tax Preparation

Bruce's long years in academia prepared him for dealing with large bureaucracies, but he knew little about taxes and the legal issues of settling an estate, nor was he prepared for the responsibility of dealing with such a large estate and his duties to his brothers and their families. He credits both Burt & Company and his New York attorneys with helping him with the learning curve "above and beyond my expectations. I virtually have been absolutely dependent on the accounting and legal advice."

One of Bruce's favorite aspects of his role as estate executor was the pleasure of working with people who took an interest in him as a person and who were able to match their skills with his needs. He was delighted to "*to see that a corporate entity has a personality – that's pretty important to me.*"

Bruce definitely recommends Burt & Company CPAs for anyone in this situation. "I would say overall that what's made it more pleasurable for me is having chosen the right mix of advisors. You've made it personal in a way which is nice."

Image courtesy of Mister GC at FreeDigitalPhotos.net