

Pro Tip TUESDAY

Pro Tip on ESTATE & LIFETIME PLANNING

The End of a Step-up in Basis?

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A step-up in basis, or more accurately, a basis adjustment, has been a cornerstone of many estate plans throughout the years. Let's take a look at what a basis adjustment is, how a step-up in basis works, and some recent news about its possible demise.

The basis of property is a tax term used when determining the gain or loss when certain assets are sold. Generally, basis refers to the original value or purchase price of an asset or investment. If the investment asset is later sold, capital gains or losses must be reported. This would be an amount taxed on the difference of the original basis amount and the amount of the sales price.

However, a basis adjustment occurs when the property is inherited. Meaning, the beneficiary of that property receives it with a basis of its current fair market value instead of its original purchase price. Let's look at an example. Nancy bought stock in XYZ Corp. in 1970. She paid \$100,000 for it. It is now worth \$500,000. If she sold it this year, she would have to pay capital gains tax on the \$400,000 profit. Instead, if Nancy died this year and her son inherited the property, he would take the property with a basis of \$500,000. He received a step-up in basis. Nancy's son could then sell the property at its fair market value of \$500,000 with no capital gains tax due.

A basis adjustment can even be preserved in irrevocable trust planning. In the [EC Medicaid Asset Protection Trust®](#), a basis adjustment is achieved via reserving a limited power of appointment. Per Treasury Regulation 25.2511-(b)(2), a limited power of appointment is an incomplete gift. An incomplete gift means that the Grantor never relinquished full control of that asset and it will be included in his estate. If assets are includable in the Grantor's estate, then the assets qualify for a step-up in basis. (See 26 US Code § 1014(b)(9). (While this planning is generally desirable, if the estate is subject to estate tax, then a decision will need to be made: Is a basis adjustment more desirable or is the avoidance of estate tax?)

There has been big news recently that there may be an end to the step-up in basis when property is inherited. The Sensible Taxation and Equity Promotion (STEP) Act has been introduced in the Senate. It purports to tax any transfer of property, including at death. However, there would be a \$1 million exclusion for inherited property.

Pro Tip on FINANCIAL SERVICES

Do companies ever need access to your online banking in order to process payments or refunds?

Jillian Guenther
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The short answer is no. The exception to this would be linking your accounts to a service that offers bookkeeping, payroll services, or virtual wallets - but an enrollment process involving multiple layers of security is usually required. We are seeing a drastic uptick in these types of scams, so let's break it down into the two most common types: tech support scams and refund scams.

In a tech support scam, you are either contacted directly by the scammer on your phone or computer, or prompted to call them using a phone number that appears in a pop-up box that alerts you to multiple viruses or issues with your computer/device. I'm going to pause right here and make a blanket statement- it would be impossible for a large company like Microsoft to monitor every single computer and actively alert you to possible issues. This is not the common practice for these companies and should immediately put you on the defensive.

Typically, in a tech support scam, the scammer has two main objectives: 1) convince you to grant them remote access to your computer, and 2) have you log in to your online banking to initiate a payment. Once you grant a scammer remote access to your computer you will see them controlling the mouse and keyboard, possibly even showing you dialogue boxes containing gibberish that they claim is "the virus" currently infecting your computer. What you won't see is the spyware, malware, and key loggers they're installing on your computer in order to obtain your personal information, user names, and passwords. Once they convince you login to your online banking, they now have access to transfers, online billpay

services, and confidential account information. Your account is now compromised and at risk, not to mention your computer is now infected with viruses and malware. If you fall victim to something like this, please contact your financial institution immediately and explain exactly what happened.

A refund scam is a bit different. The scammer contacts you via phone or email to let you know that you are entitled to a refund for a purchase or service. Scammers are trained very well and know how to make these refunds sound legitimate, even though you may have never made the purchase or it dates back several years. Once they've got you on the hook, they explain that the easiest way for you to get your money is to grant them access to your online banking. Don't worry if you are not enrolled, they'll just remote right into your computer and help you with that as well. How kind! The outcome now is very similar to the tech scam discussed above. You wind up with an infected computer/device and a compromised bank account. The scammers can even use your online banking to enroll you in a Mobile Deposit service in order to make deposits of counterfeit checks to your account. This type of deposit attempt is especially common in online loan scams. Basically, anyone contacting you out of the blue to request remote access to your computer or smart device is a HUGE red flag and they should be denied. When something sounds too good to be true, it probably is!

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