

Jointly owned property raises questions about estate planning

By David L. Thomas
Senior V.P. United Carolina Bank

For years estate planners have considered jointly owned property as a hidden trap in estate planning. Indeed, some planners could get evangelical about the evils of property owned as joint tenants with rights of survivorship between spouses.

Under some old law and today in larger estates, ownership of property in this manner can still create adverse tax consequences.

However, due to changes in the Federal Estate Tax laws under the Economic Recovery Act of 1981 and the North Carolina Inheritance tax laws in 1984, it is necessary to rethink the use of jointly owned property and its relative dangers.

Under current Federal Estate Tax laws, only one-half of property owned as joint tenants with rights of survivorship or tenants by the entirety between spouses is included in the estate of the first to die. (It is important to note here

that this rule is for property owned between spouses only).

For example, if a husband and wife own all of their property as joint tenants with rights of survivorship and their total combined estate is worth \$400,000.00, at the death of the first spouse only \$200,000.00 will be included in his or her estate.

Under current North Carolina law, effective July 1, 1984, if property is owned, as joint tenants with rights of survivorship and a spouse dies owning property in this manner with a surviving spouse, a presumption is created that the surviving spouse paid for one-half of the jointly owned property and only one-half is taxed in the inheritance tax return of the deceased spouse. What this new provision effectively does is create a marital deduction in North Carolina for jointly owned property between spouses.

In the previous example, only \$200,000.00 would be included in

the North Carolina inheritance tax return for the first spouse to die.

These two simple illustrations are not the entire answer and deserve further analysis. Let us assume the estate of \$400,000.00 jointly owned between spouses A and B and spouse A dies.

Spouse B now owns all \$400,000.00 by right of the joint ownership. Also assume the assets were as follows:

	Fair Market Value on date of death	Income Tax basis prior to death
House and Lot	\$80,000.00	\$40,000.00
Stocks	50,000.00	30,000.00
CD's	20,000.00	20,000.00
Farm	250,000.00	100,000.00

Spouse B will have title to all of the property but since only one-half was included in the estate of Spouse A, Spouse B will not have a total stepped up basis in the property. For example, the farm is worth \$250,000.00 but only \$125,000.00 is included in the estate of Spouse A. Therefore, Spouse B's basis in the farm is \$50,000.00 (B's original 1/2 of the

basis) plus the \$125,000.00 included in A's estate or a total of \$175,000.00. Therefore, if B sells the farm for \$250,000.00, he or she will have to pay a capital gains tax on \$75,000.00 of gain (\$250,000.00 sales price minus \$175,000.00 basis). By avoiding jointly owned property and having the entire property pass through the estate and one or more trusts, the basis in the farm could have increased to \$250,000.00. This could have been done without the payment of any federal estate tax also.

Let's also look at what can happen with the estate tax. Under current law, an individual can have a taxable estate of \$325,000.00 in 1984, \$400,000.00 in 1985, \$500,000.00 in 1986 and \$600,000.00 in 1987 and not pay any federal estate tax. Whenever the combined estates of the husband and wife are not greater than the amounts reflected above, jointly owned property will not cause any adverse federal estate tax con-

sequences.

However, let's assume an individual has an estate of \$400,000.00 and dies in 1984 owning all his property as joint tenants with rights of survivorship with his wife. Under current law, the entire estate would pass to the wife free of federal estate tax because it would all qualify for the unlimited marital deduction.

Let's assume that the wife died in 1984 also, not having remarried. The wife would have \$400,000.00 included in his estate and would pay federal estate tax on \$75,000.00 (The difference between \$400,000.00 and the \$325,000.00 deduction available in 1984). The federal estate tax on \$75,000.00 is \$25,500.

In this example, \$25,500.00 would be paid in federal estate tax unnecessarily. By the use of a will and simple trust and avoidance of the jointly owned property, \$25,500.00 more could have been made available to the heirs. As the estate gets larger, the use of jointly

owned property with rights of survivorship only increases the additional estate tax due.

People's estates are becoming larger than they realize. With the value of real estate and other property increasing, husband and wives both working outside the home and the advent of newer forms and cheaper types of life insurance, an individual's estate can get into the several hundred thousand dollar range very easily. In these situations jointly owned property can create adverse estate and income tax consequences.

As can be seen, if the combined estates of both spouses is not greater than the taxable estates for the years indicated above, no adverse federal estate tax consequences will occur.

However, some lost income tax opportunities may occur. Careful planning should be done to ensure that the use of jointly owned property is achieving the desired result and not causing unknown or hidden tax burdens.

Head lice infecting Hoke school children

Head lice are a problem for many Hoke County school children.

Many will become infested sometime this year, a spokesman for the Hoke County Health Department said.

The small blood-feeding creatures are usually less than 1/8-inch long and can live approximately one month.

During her lifetime, a female can lay about five to 10 nits or eggs daily.

These nits are cemented to the hair shaft and may look like dandruff.

Though dandruff can easily be removed, nits cannot, Becky Smith said.

Lice are highly dependent on human body warmth.

They will die within 24 hours if separated from their food supply.

They have no racial or economic preference and are easily transmitted from one person to another by sharing hats, combs, brushes, coats, towels and bedding, Mrs. Smith said.

Head lice are more common among children, especially during the school year, due to close personal contact.

Many cases have already been reported in Hoke and surrounding counties.

If left untreated, infestation can spread rapidly and may reach epidemic proportions.

Therefore, if one family member has lice, all other members of the household should be examined by a health professional.

The signs of lice infestation are intense itching and scratching of the scalp, especially at the back of the neck and above the ears, Mrs. Smith said.

The school nurse and public health nurses check students for head lice. If any are found, the child will be removed from school until the problem is controlled.

Treatment of head lice should begin as soon as possible.

The first step is to buy a special shampoo from your drug store to kill the lice and their nits.

Following the shampoo treatment, a fine-toothed comb dipped in warm vinegar should be used to comb out the lice and nits.

If it is still difficult to remove some of the nits, dip a cotton ball in warm vinegar and pull it along the hair shaft, Mrs. Smith said.

All clothing, towels and bedding

needs to be washed in very hot water (at least 130°F) and dried on the hottest setting. All non-washable clothing needs to be dry cleaned.

A lice-killing upholstery and carpet spray needs to be used on all upholstered furniture, carpets, rugs and mattresses.

They should then be vacuumed thoroughly.

Head lice are not the only problem we face in Hoke County. Scabies is another condition that can be passed from person to person.

It is caused by a tiny mite that burrows under the skin. Eggs are laid under the skin and within 24 hours are hatched. They soon start

their own burrowing so they may begin feeding.

Scabies causes small blister-like lesions, nodules, and intense itching. The inner wrists, armpits, abdomen, and thighs are generally the first areas affected. If left untreated, though, it can spread over the entire body, Mrs. Smith said.

An affected person should see a health professional who can prescribe treatment. The entire household should be treated and all clothes and bed linens should be machine washed and dried on the hottest settings, Mrs. Smith said.

For more information, contact the Hoke County Health Department at 875-3717.



35 Years
William F. West has recently completed 35 years of continuous service at the Burlington Industries Raeford Plant. West began his employment with Burlington Industries at the Fayetteville Lakedale Plant as a Loom Cleaner in the Weave Department. After 26 years, and several promotions there, he transferred to the Raeford Plant as a Weaver. He has worked in the Weave Department his entire 35 years and is presently working in that area as a Loom Technician. Plant Management presented him with a diamond pin, 25 years certificate and gift in recognition of his service.



Completes 35 years
Lois H. McMillan recently completed a milestone in her career with Burlington Industries Raeford Plant by accomplishing 35 years continuous service. Mrs. McMillan began work at the local facility as a Mender in the Cloth Room Department. Since that time she has been promoted to Head Greige Mender Worsted Fancy, in the same department. In recognition of her loyal service she was presented a diamond pin, 35 years certificate and gift by Plant Management.

CREDITOR'S NOTICE
IN THE GENERAL COURT
OF JUSTICE
SUPERIOR COURT DIVISION
85-E-17
STATE OF NORTH CAROLINA
HOKE COUNTY

Having qualified as Administratrix of the estate of Robert J. Daniels of Hoke County, North Carolina, this is to notify all persons having claims against said

LEGALS

estate to present them to the undersigned, on or before September 10, 1985 or this notice will be pleaded in bar of their recovery. All persons indebted to said estate will please make immediate payment to the undersigned.

This the 5th day of March 1985.
Evelyn T. Daniels
P.O. Box 34
Raeford, N.C. 28376
47-50C

Money Saving Spring Specials

<p>Car Care Savings MOTOR OIL QUAKER STATE HD-30 Wt. ONLY 99¢</p>	<p>VALUABLE COUPON HI-VALUE 16 oz. SKIN CARE LOTION Compare To Vaseline Intensive Care SAVE 50¢ Redeem at Valu-Mart</p>	<p>ALL WINTER GLOVES and TOBOGGANS SAVE 75% OFF MFG. SUGGESTED RETAIL</p>	<p>LONG AID CURL ACTIVATOR w/ ALOE Regular and Extra Dry ONLY 1.88 10.5 oz. (LIMIT 2 PLEASE)</p>
<p>RALLY CREAM CAR WAX 10 oz. ONLY 2.69 (LIMIT 2)</p>	<p>VALUABLE COUPON HI-VALUE 16 oz. COCOA BUTTER LOTION SAVE 50¢ Redeem at Valu-Mart</p>	<p>COVER GIRL LUMINESSE LIPSTICK New Spring Colors ONLY 99¢ (LIMIT 2)</p>	<p>WHITE RAIN HAIR SPRAY ONLY 99¢ (LIMIT 2 PLEASE)</p>
<p>AMOR-ALL 8 oz. ONLY 2.49</p>	<p>VALUABLE COUPON HI-VALUE 15 oz. PURE PETROLEUM JELLY Compare to Vaseline Petroleum Jelly SAVE 50¢ Redeem at Valu-Mart</p>	<p>RUBBERMAID 20 GALLON ROUGHNECK TRASH CANS ONLY 6.99</p>	<p>STYLING MOUSSE by Suave 8 oz. Regular and Extra Control ONLY 1.69</p>
<p>STP GAS TREATMENT ONLY 1.39</p>	<p>FEUDOR DISPOSABLE LIGHTERS ONLY 2.100</p>	<p>WICKER ASSORTMENT OF EASTER BASKETS ONLY 7.99 EACH</p>	<p>CARE FREE CURL INSTANT MOUSSE CARE FREE CURL CURL ACTIVATOR 8 oz. ONLY 2.500</p>

