
Appendix II

Glossary

Adjusted gross estate: The gross estate, less funeral expenses, expenses of estate administration during probate, debts of the estate, and casualty losses suffered during estate administration.

Administration: The care and management of an estate by a trustee, guardian, administrator, or executor.

Administrator: A male person appointed by the court to administer the estate of a deceased person who (1) dies leaving no will, or (2) leaves a will naming an executor or executors who for some reason cannot serve. The functions of an administrator are to collect assets of the estate, pay debts, and distribute residue to those entitled to it.

Administratrix: The female counterpart of an administrator. See also “administrator.”

Agent: A person who acts for another person by the latter’s authority.

Alternate valuation date: The earlier of the date six months after the decedent’s death or the date any estate asset is sold. Estate assets may be valued as of the alternate valuation date instead of the date of the decedent’s death if doing so both decreases the value of the gross estate and results in a decrease in the net Federal estate tax payable. If the alternate valuation date is elected, all estate assets must be valued as of that date. See also “basis” and “stepped-up basis.”

Amortization: Paying off a loan by regular installments.

Ancillary administration: Probate administration of property (usually real property) owned in a State other than the one in which the decedent had his (her) principal residence at the time of death.

Annuity: A periodic (usually annual) payment of a fixed sum of money for either the life of the recipient or for a fixed number of years.

Appraisal: A determination of property value.

Assets: (1) The property comprising the estate of a deceased person, or (2) the property in a trust account.

Attorney-at-law: A person who is legally qualified and licensed to practice law, and to represent and act for clients in legal proceedings.

Attorney-in-fact: A person who, acting as an agent, is given written authorization by another person to transact business for him (her) out of court.

Basis: A measure of an owner’s investment in a capital asset used for tax purposes. An owner’s original basis in an asset acquired by purchase is the total cost of acquisition; in an asset acquired by inheritance, the fair market value on the decedent’s date of death or the alternate valuation date; and in an asset acquired by gift, the donor’s basis or the fair market value, whichever is lower. See also “alternate valuation date,” “fair market value,” and “stepped-up basis.”

Beneficiary: A person or institution named in a will or other legal document to receive property or property benefits.

Bequeath: To gift property by will.

Bequest: Property gifted by will.

Bond: An agreement under which a person or corporation (such as an insurance company) becomes surety to pay, within stated limits, for financial loss caused to a second person or legal entity by the act or default of a third person—such as loss to an estate by action of the administrator.

Charity: An agency, institution, or organization in existence and operating for the benefit of an indefinite number of persons and conducted for educational, religious, scientific, medical, or other beneficent purposes.

Codicil: An addition, change, or supplement to a will executed with the same formalities required for the will itself.

Common disaster: A sudden and extraordinary misfortune that brings about the simultaneous or near-simultaneous deaths of two or more associated persons, such as husband and wife.

Contemplation of death: The expectation of death that provides the primary motive to make a gift.

Contingent beneficiary: Receiver of property or benefits if the first named beneficiary fails to receive any or all of the property or benefits in question before his (her) death.

Contract: A legal written agreement that becomes binding when signed.

Corporation: A legal entity owned by the holders of shares of stock that have been issued, and that can own, receive, and transfer property, and carry on business in its own name.

Curtsey: A widower's legal interest in his wife's real estate.

Decedent: A deceased person.

Deed: The legal instrument used to transfer title in real property from one person to another.

Dependent: A person dependent for support upon another.

Descendent: One who is directly descended from another such as a child, grandchild, or great grandchild.

Devise: To gift property by will.

Distribution: The appointment of personal property or its proceeds to those entitled to receive it under the terms of a will or trust.

Donee: The recipient of a gift.

Donor: The person who makes a gift.

Dower: A widow's legal interest in her deceased husband's real estate.

Escrow: Money given to a third party to be held for payment until certain conditions are met.

Estate: All real and personal property and property rights owned by a person.

Executor: A male person named in a will to carry out the decedent's directions, administer the decedent's estate, and distributes the decedent's property in accordance with the will.

Executrix: The female counterpart of an executor. See also "executor."

Fair market value: The price at which an asset would change hands in a transaction between a willing, informed buyer and a willing, informed seller.

Fee simple: Absolute title to property with no limitations or restrictions regarding the person who may inherit it.

Fiduciary: A trustee, executor, or administrator.

Gift: A voluntary transfer or conveyance of property without consideration, or for less than full and adequate consideration based on fair market value.

Grantor: The person who establishes a trust and places property into it.

Gross estate: The total fair market value of all property and property interests, real and personal, tangible and intangible, of which a decedent had beneficial ownership at the time of death before subtractions for deductions, debts, administrative expenses, and casualty losses suffered during estate administration.

Guardian: A person legally empowered and charged with the duty of taking care of and managing the property of another person who because of age, intellect, or health, is incapable of managing his (her) own affairs.

Heir: One entitled, by law, to inherit the property of a decedent who died without a will.

Intangible property: Property that has no intrinsic value, but is merely the evidence of value such as stock certificates, bonds, and promissory notes.

Intestate: Dying without leaving a will.

Inter vivos: Transfer of property from one living person to another living person.

Irrevocable trust: A trust arrangement that cannot be revoked, rescinded, or repealed by the grantor.

Joint tenancy: A form of property ownership in which two or more parties hold an undivided interest in the same property that was conveyed under the same instrument at the same time. A joint tenant can sell his (her) interest but not dispose of it by will. Upon the death of a joint tenant, his (her) undivided interest is distributed among the surviving joint tenants.

Law of descent: The State statutes that specify how a deceased person's property is to be divided among the decedent's heirs if there is no will.

Legacy: A gift of property made by will.

Legatee: A beneficiary of a decedent's property named in the decedent's will.

Liabilities: The aggregate of all debts and other legal obligations of a particular person or legal entity.

Lien: A claim against real or personal property in satisfaction of a debt.

Life estate: A property interest limited in duration to the life of the individual holding the interest (life tenant).

Lineal descendant: Direct descendant of the same ancestors.

Marital deduction: The deduction(s) that can be taken in the determination of gift and estate tax liabilities because of the existence of a marriage or marital relationship.

Mortgage: The written agreement pledging property to a creditor as collateral for a loan.

Mortgagee: The person to whom property is mortgaged and who has loaned the money.

Mortgagor: The person who pledges property to a creditor as collateral for a loan and who receives the money.

Partnership: A voluntary contract between two or more persons to pool some or all of their assets into a business, with the agreement that there will be a proportional sharing of profits and losses.

Personal property: All property that is not real property.

Per stirpes: The legal means by which the children of a decedent, upon the death of an ancestor at a level above that of the decedent, receive by right of representation the share of the ancestor's estate that their parent would have received if living.

Probate: Proving a will's validity to the court and securing authority from the court to carry out the will's provisions. Also used in a broad sense to mean administration of a decedent's estate.

Real property: Land, and all immovable fixtures erected on, growing on, or affixed to the land.

Remainder: An interest in property that takes effect in the future at a specified time or after the occurrence of some event, such as the death of a life tenant.

Remainderman: One entitled to the remainder of an estate after a particular reserved right or interest, such as a life tenancy, has expired.

Revocable trust: A trust agreement that can be canceled, rescinded, revoked, or repealed by the grantor (person who establishes the trust).

Right of survivorship: The ownership rights that result in the acquisition of title to property by reason of having survived other co-owners.

Sole ownership: The type of property ownership in which one individual holds legal title to the property and has full control of it.

Stepped-up basis: The basis of an asset acquired by inheritance is its fair market value on the date of the decedent's death or the alternative valuation date. This generally is higher than the basis of the asset when held by the decedent, resulting in a "stepped-up" basis to the person who inherits it. See also "alternative valuation date," "basis," and "fair market value."

Tenancy in common: A type of property ownership in which two or more individuals have an undivided interest in property. At the death of one tenant in common, his (her) fractional percentage of ownership in the property passes to the decedent's heirs rather than to the surviving tenants in common. Also called nonspousal joint tenancy.

Tenancy by the entirety: A type of joint tenancy between husband and wife that is recognized in some States. Neither party can sever the joint tenancy relationship; when a spouse dies, the survivor acquires full title to the property.

Terminal interest: A conditional interest in property that terminates or fails after a period of time or on the occurrence, or failure to occur, of an event or contingency. Examples include interests that lapse on the remarriage or death of the recipient. See also "terminal interest rule."

Terminal interest rule: Under Internal Revenue Code section 2056(b), no marital deduction is allowed for a property interest that is a terminal interest. See also "terminal interest."

Testate: To die leaving a will.

Testator: A male person who leaves a will at death.

Testatrix: The female counterpart of a testator.

Trust: An arrangement made during life or under the terms of a will by which a property interest is held by one party (the trustee) for the benefit of one or more beneficiaries.

Trustee: A person or institution holding and administering property in trust.

Trustor: The person who makes or creates a trust. Also known as the grantor or settlor.

Will: A legal declaration of the manner in which a person wishes to distribute his (her) estate after death.