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Income in respect of a decedent (IRD) is income to which a person is entitled at death and that was never taxed during the person's life. Examples of IRD include unpaid wages, deferred compensation, accrued interest on bonds, income from exercise of stock options, and qualified retirement plan distributions (including IRAs).

IRD is subject to both estate tax and income tax. The combined estate tax and income tax on IRD can be confiscatory, often as high as 70-80%. With careful planning, however, a donor's estate can avoid much or all of these taxes by funding a planned or outright gift to charity with IRD rather than other assets.

A deduction equal to the estate tax on the IRD is available for income tax purposes. For example, if a person's estate has \$100,000 of IRD and the estate tax on that IRD is \$47,000, the portion of the IRD subject to income tax would be \$100,000 - \$47,000 or \$53,000.

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