



## **I would like to share an article, I recently read, on inheriting real property.**

Red text are my comments

When you inherit real property, you are likely to have gone through a grieving period and been burdened with the task of managing real estate all in one year. **This really hit home with me. My father recently passed away, there were so many responsibilities I did not know where to start.**

If you've been a professional property owner, you can probably handle this with relative ease. **I consider myself a professional yet it was still stressful to wrap things up.** Now if you have your own primary residence and don't intend to move into the property, you must get used to many things as a home owner.

My best advise is to start with a list. If you have siblings, include them when making a "to do" list. Have each sibling make their own list.

To have a successful family discussion, ask each heir to write down several things:

1. What is the current value of the real property? Should we consult with an licensed estate appraiser?  
Yes/no

**To keep things fair it is best to hire a un-biased appraiser to report the market value of the property**

2. What do you consider to be a fair rental value for the property?

**Estimated rental fees can be included in your real estate appraisal.**

3. Are you willing to contribute to the expenses and property taxes, and if yes, how much?

**There may be outstanding liens on the property. (taxes, utilities, construction) It is very important that everyone knows what is owed.**

4. Are you willing to hold-on to the property long-term (over one year)?

**It may be an advantage to hold the property, home values are increasing. (2013)**

5. What is the longest term you are willing to hold on to the property?

**If one beneficiary wants to sell and one wants to hold on to the property it may be necessary to "buy-out" that person.**

6. How would you rate the condition of the property on a scale of 1-10 (10 being best)?

**Condition is a BIG deal.**

7. How much in repairs do you think it would cost to bring the property to market value? This is hard to calculate without a inspection .

**I have appraised older home that were spotless – they have been well maintained and updated. I have also appraised homes that – had issues--- repairs would cost more than the home was worth. When I run into assignments I stop everything and call my client. My client is informed of the conditions and can make the decision to proceed with the appraisal. Typically I will appraise the property "as-is" and a second value "as-repaired" (what the value would be if home is repaired)**



Most people are so busy that property management becomes a chore and they soon opt to sell the property rather than to repair and rent it.

“A lot of people have enough to do just to maintain their own property and now all of a sudden they have another piece of property they have to deal with — that’s a little difficult,” says Carl Izzo, Managing Director at Fiduciary Real Estate Advisors in Boston.

Why do you need legal advice when receiving real property as an inheritance? Depending on where the property is and where you live, the law varies in taxation of the gain and in the reassessment of the property taxes. For example, in California, if you are a child and you inherited real property from your parents or grand parents, you should explore whether or not Prop. 13 low taxes will apply to you and be sure to complete the proper forms, in a timely fashion to preserve it. For that, you should obtain legal advice from counsel to guide you to be sure you don't lose the prop. 13 benefits.

If you are one of several siblings who have inherited real property, you must know that the grieving process includes an anger stage. By experience, very little gets done in this period. In fact, most fights in estates occur during this period. I think that this is why it took my husband and my bother-in law two years before they sold their father's home.

The decision of whether to keep the property, sell the property, rent the property should be put to a vote, or left to an arbitrator if no agreement can be reached after having several family discussions to see if an agreement can be reached.

If you are the successor trustee, or executor, you must keep accurate receipts for all expenses of the real property before it is distributed. Once the property is distributed, if there are multiple owners, one of the owners should agree to keep the records and print a monthly report of the property expenses for the remaining owners.

So that there are no surprises, you should consult an accountant to advise you of the potential State of California withholdings from sales if you are selling the property. Determine quickly if the decedent had unpaid Federal, State or local taxes and discuss this with the heirs if those have become liens against the property.

If there are homeowners association fees, be sure to pay them on time, so that they do not become liens against the property. Of great importance is the upkeep of home owner's insurance. Be sure it does not lapse and immediately call the insurance agent to get a rider after death. Some companies terminate the policy after death, and you certainly don't want to be left without it.

Regardless of whether or not you intend to sell the property, you must obtain a Licensed Appraisal to



establish your basis. Stepped-up basis in most cases is likely help save taxes meaning it would be valued as of the date of the death for purposes of determining capital gains. While this law still exists, you should always consult with your tax adviser and your attorney to determine the rules at the time of sale.

Here is a list of professionals you will need when you are about to inherit real property:

1. Trust and Estate Lawyer.
2. Real Estate Broker.
3. Accountant.
4. Appraiser.
5. Home owner's Insurance agent.

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