

## **Partial Distributions**

It is a given that the beneficiaries of the estate will call to find out the status of the estate and when they can expect distributions in satisfaction of their bequests. As can be seen, there are a number of decisions and factors that come into play in determining how long the estate will remain open and what the potential estate and income taxes may be. Ideally, the personal representative and the beneficiaries have been made aware of those factors and understand the length of time that must pass before elections can properly be made and for federal and state officials to conclude any audits of the returns.

If the estate is subject to federal estate tax or North Carolina inheritance tax, the personal representative should defer significant distributions of estate assets or retain a substantial reserve until the tax returns have been filed and accepted. It is possible to ask for early audit action by both taxing authorities. Failure to do so might result in personal liability for the personal representative for any increases in the tax. Further, if the personal representative makes distributions of estate assets to beneficiaries prior to the time that the period for filing claims against the estate has expired, he may not have sufficient assets to pay the estate's debts and again be personally liable. For this reason, if the personal representative is unsure of the debts of the decedent, it is prudent to wait until the three-month claim period has expired.