

SIMPLIFIED ACCOUNTING UNDER THE PROBATE COURT RULES OF PROCEDURE



CALABRESE
LAW PLLC

Presented to

**University of Connecticut
Tax School**

November 14, 2018



Domenick N. Calabrese

Judge

- Region 22 Probate District
Southbury
- Waterbury Regional
Children's Court

Attorney at Law

Stamford ♦ Watertown

- Estate Planning
- Probate
- Asset Protection
- Business



Disclaimer



This presentation is for informational purposes only. It is not intended to be, and should not be relied upon as legal advice. Consult a qualified attorney regarding a specific matter or situation.

Objectives



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- Review options and requirements for fiduciary accounting and financial reporting under the Connecticut Probate Court Rules of Procedure
- Discuss the rationale behind the rules

Supplemental Material

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Agenda

- Financial report basics
 - Requirements for financial reports
 - Sample completed forms
 - Court reviews
 - Report or account
- Other key provisions of fiduciary accounting
- Traditional accounts
- Summary

Philosophy

- Provide clear guidance to make it easier to use the Probate Courts
- Promote uniformity and best practices
- Reduce administrative burdens in uncontested cases
- Give judges tools to manage contested cases & minimize expenses
- Preserve advantages of informal probate proceedings

3 Rules on Fiduciary Accounting



- **Rule 36:**
 - When fiduciary can use a financial report as opposed to an account
 - Other general provisions
- **Rule 37:** Requirements for Financial Reports
- **Rule 38:** Requirements for Accounts



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RULE 37 FINANCIAL REPORTS

Financial Report Replaces Traditional Account

- With few exceptions, Rule 36.1 permits any fiduciary who is required to account to use a financial report
- Expect financial reports to become the norm for lay fiduciaries

Financial Report: A Simplified Form of Account



Section 1.1 (14) defines a financial report as “a **simplified** form of accounting meeting the requirements of Rule 37 by which a fiduciary provides **summary** information about the management of an estate”



The International Council of The Museum



“Big Picture” Approach



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- Financial reports are intended to be more user-friendly
 - Easier for fiduciaries to prepare
 - Easier for beneficiaries to understand
- Overall, less detail required
 - But detail *is required* for distributions
- Beneficiaries receive copies before the hearing

Precedents



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- Statement in Lieu of Account for Decedents' Estates
- Fiduciary's Periodic Account forms
 - PC-242 Short form for decedents' estates
 - PC-441 Short form for conservators and guardians of estates of minors

Precedents



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- Tradition of acceptance of a wide variety of forms of accounts
- Streamline notice procedure

Financial Reports versus Accounts

Section 36.2

- Separate principal and income reporting not required
- Transactions may be grouped into categories
- Assets may be reported at market value (FAV tracking not required)
- Doesn't need to balance
- Forms should eliminate need for manuscript filings

Requirements for Financial Reports



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- Rule 37 specifies different requirements for financial reports for:
 - Decedents' estates (37.1)
 - Trusts (37.2)
 - Conservatorships/guardianships /other (37.3)
- Differences relate to categories of income and expense typically involved in each type of estate
- Each section is less than 1 page

Requirements for Financial Reports



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- Itemized detail not required for most categories
- Ordinary income by category
- Net capital gains
- Contributions to estate
 - Indicate whether reimbursement is sought
- Administration expenses by category
- Taxes by category

Reporting Distributions

Section 37.4



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- All in-kind distributions (anything other than cash) must be itemized to establish a clear record of what each heir or beneficiary is receiving
- Itemization of tangibles is NOT required unless itemized on inventory
- In-kind distributions must be shown at market value
- Exception: Fiduciary may use FAV if all heirs or beneficiaries will receive proportionate share of in-kind distributions

PC Forms for Financial Reports

- 3 forms available on website:
 - <http://www.ctprobate.gov/Pages/Probate-Court-Forms.aspx>
 - PC-246 Decedents' estates
 - PC-442 / 442A COE / GOE
 - PC-443 / 443A Trusts
- Similar to Statement in Lieu of Account

Sample: Completed Forms

- Estate of Jane Smith
 - Inventory
 - Financial Report
- Estate of Wilbur Wonka
 - Inventory
 - Final Account

RECEIVED

OCT 10 2017

CT PROBATE DIST. 22



- Instructions:**
- 1) A fiduciary for an estate may use this form to file an inventory of the estate assets. The fiduciary is required to file an initial inventory within 2 months from the date of appointment.
 - 2) List real property (attach complete copy of recorded deed) and personal property in the manner described.
 - 3) **DECEDENT'S ESTATES:** List all solely owned assets, including fractional shares; use market value as of date of death. Do not include real property located outside the state of Connecticut, jointly owned property or property passing by beneficiary designation.
 - 4) **CONSERVATORSHIPS:** List all property of the person under conservatorship, including fractional shares, along with the value of the conserved person's interest; use market value as of date of appointment. Include jointly owned property, property passing by beneficiary designation, property in which the conserved person has a beneficial interest (for example, trust property) and real property located outside the state of Connecticut, as applicable.
 - 5) **ALL OTHER ESTATES:** List property in the trust or guardianship estate; use market value as of date of appointment.
 - 6) The fiduciary must send a copy of the inventory to each party and attorney and certify to the court that a copy has been sent.
 - 7) For more information, see C.G.S. section 45a-340 et seq.
 - 8) Type or print the form in ink. Use an additional sheet, or PC-480, if more space is needed.

Probate Court Name SOUTHBURY PROBATE	District Number PC22
Estate of Jane Smith	Date of Death, if Decedent's Estate 5/2/2017
Fiduciary (include position of trust) John Smith, Executor	Date of Appointment as Fiduciary 9/12/17

INITIAL INVENTORY SUBSTITUTE OR CORRECTED SUPPLEMENTAL

Description	Net Value
(a) REAL PROPERTY (Attach a complete copy of the recorded deed. Provide property address, decedent's or respondent's interest in the property, fair market value, balance of unpaid mortgage and net value of interest. If unpaid mortgage is higher than fair market value, net value is reported as zero.)	
1. Real Property An undivided one-half (1/2) interest in and to Lots No. 37 and 38, Blackacre Estates, Orchard Road, Oxford, Connecticut; Owned with spouse not survivorship Fair market value \$13,275.00, 1/2 = \$6,637.50	6,637.50
(b) PERSONAL PROPERTY	
1. Motor Vehicle(s) (Provide year, make, model and vehicle identification number.) 2004 Dodge Challenger automobile; VIN	1,627.00

Description	Net Value
2. Bank Accounts (Provide name of financial institution and last four digits of the account number for each account.)	
ION Bank: Checking Account xxxxxxx2364	1,578.64
3. Stocks and Bonds (Provide description, number of shares and value per share.)	
4. Other Personal Property (Include description.)	
5. Total from Additional Sheets Attached, if any	
TOTAL	9,843.04

For Use in Conservatorship Matters Only (Voluntary or Involuntary)

1. Real Property Located Outside Connecticut	Total Market Value	Conserved Person's Interest
Description		
2. Jointly Owned Real and Personal Property and Beneficial Interests (for example, trust property).		
Description	Total Market Value	Conserved Person's Interest

The representations contained herein are made under penalty of false statement.

Signature of Fiduciary

Date 10/31/17 Type or Print Name

Signature of Fiduciary

Type or Print Name

Date

CERTIFICATION

I hereby certify that I sent a copy of this inventory to the following people as required by the Probate Court Rules of Procedure, section 30.12:

Signature of fiduciary or attorney *RS*

Type or Print Name: Date: _____

 10/30/17

RECEIVED:

JAN 29 2018



- Instructions:**
- 1) A fiduciary may use this financial report instead of filing a final account for a decedent's estate unless:
(a) the court has ordered the fiduciary to file an account; or (b) an account is required under the Probate Court Rules of Procedure, section 36-3.
 - 2) Type or print the form in ink.
 - 3) Attach supporting schedules if necessary to provide additional details or explanatory notes.
 - 4) The fiduciary shall send a copy of this financial report to each party and attorney.
 - 5) For further information, see the Probate Court Rules of Procedure, sections 37-1 and 37-4.

Probate Court Name	District Number
REGION #22	PD22

Estate of
Jane Smith

Fiduciary (List name, address and telephone number of each fiduciary.)

John Smith
123 Main Street
Oxford, CT 06478 203-123-4567

EACH FIDUCIARY WHO SIGNS THIS FINANCIAL REPORT REPRESENTS UNDER PENALTIES OF FALSE STATEMENT THAT:

- 1) The fiduciary has retained all supporting records for this financial report as required by the Probate Court Rules of Procedure, section 36.13, and the records are available for review on request.
- 2) All funeral expenses, taxes, expenses of administration and claims of creditors are shown below and have been paid.
- 3) All distributions listed below have been or will be distributed.
- 4) The following is a true and complete summary of the assets of the estate and the fiduciary's receipts, payments and distributions

Assets and Income Received

Total amount reported on the inventory	\$	9,843.04
Total amount of additional assets received	\$	

Income received:

Interest:	\$
Dividends:	\$
Rent:	\$
Other (Specify and attach second sheet if necessary.)	\$

Net amount of gain (or loss) on the sale of assets	\$
---	----

If real property has been sold, attach copy of settlement statement from closing.

Cash advanced to the estate by <u>John Smith</u> to pay claims and expenses	\$	15,448.56
Indicate if there is an expectation of reimbursement:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

Total	\$	25,291.60
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Certification

I certify that a copy of this financial report was sent to the following persons:

Name and Address

Signature of fiduciary or attorney

Dewey Cheatham

Type or Print Name:

Dewey Cheatham, Attorney for John Smith

Date:

1/25/18

RECEIVED

RECEIVED

MAY - 7 2018

CT PROBATE DIST. 22



- Instructions:**
- 1) A fiduciary for an estate may use this form to file an inventory of the estate assets. The fiduciary is required to file an initial inventory within 2 months from the date of appointment.
 - 2) List real property (attach complete copy of recorded deed) and personal property in the manner described.
 - 3) DECEDENT'S ESTATES: List all solely owned assets, including fractional shares; use market value as of date of death. Do not include real property located outside the state of Connecticut, jointly owned property or property passing by beneficiary designation.
 - 4) CONSERVATORSHIPS: List all property of the person under conservatorship, including fractional shares, along with the value of the conserved person's interest; use market value as of date of appointment. Include jointly owned property, property passing by beneficiary designation, property in which the conserved person has a beneficial interest (for example, trust property) and real property located outside the state of Connecticut, as applicable.
 - 5) ALL OTHER ESTATES: List property in the trust or guardianship estate; use market value as of date of appointment.
 - 6) The fiduciary must send a copy of the inventory to each party and attorney and certify to the court that a copy has been sent.
 - 7) For more information, see C.G.S. section 45a-340 et seq.
 - 8) Type or print the form in ink. Use an additional sheet, or PC-450, if more space is needed.

Probate Court Name REGION #22 PROBATE COURT	District Number PD22
Estate of Wilbur Wonka	Date of Death, if Decedent's Estate 11/1/2017
Fiduciary (include position of trust) Willy Wonka, Executor 2345 Nonpariel Drive Anytown, CT	Date of Appointment as Fiduciary 12/13/2017

 INITIAL INVENTORY SUBSTITUTE OR CORRECTED SUPPLEMENTAL

Description	Net Value
(a) REAL PROPERTY (Attach a complete copy of the recorded deed. Provide property address, decedent's or respondent's interest in the property, fair market value, balance of unpaid mortgage and net value of interest. If unpaid mortgage is higher than fair market value, net value is reported as zero.)	
1. Real Property None.	
(b) PERSONAL PROPERTY	
1. Mot or Vehicle(s) (Provide year, make, model and vehicle identification number.) 2005 Dodge Dakota; VIN 1D7HW42K55S265117	\$7,263.00

Description	Net Value
2. Bank Accounts (Provide name of financial institution and last four digits of the account number for each account.) Chase checking account; #1206	\$2,735.05
3. Stocks and Bonds (Provide description, number of shares and value per share.) None.	
4. Other Personal Property (Include description.) Miscellaneous personal property.	\$5,000.00
5. Total from Additional Sheets Attached, if any	
TOTAL	\$14,998.05

For Use in Conservatorship Matters Only (Voluntary or Involuntary)

1. Real Property Located Outside Connecticut	Total Market Value	Conserved Person's Interest
Description		
2. Jointly Owned Real and Personal Property and Beneficial Interests (for example, trust property).	Total Market Value	Conserved Person's Interest
Description		

The representations contained herein are made under penalty of false statement.

Signature of Fiduciary

Type or Print Name Willy Wonka

Date 4/27/18

Signature of Fiduciary

Type or Print Name

Date

CERTIFICATION

I hereby certify that I sent a copy of this inventory to the following people as required by the Probate Court Rules of Procedure, section 30.12:

Willy Wonka
2345 Nonpariel Drive
Anytown, CT

Charlie Bucket
587 Main Street
Hershey, PA

Candy Sweet LLP
987 Lollipop Lane
Sugartown, CT

Signature of fiduciary or attorney

Type or Print Name: Candy Sweet LLP



TO: COURT OF PROBATE, REGION #22 PROBATE COURT

DISTRICT NO. PD22

ESTATE OF Wilbur Wonka

Hereinafter referred to as the estate.

FIDUCIARY [List name, address and telephone number of each fiduciary.]
Willy Wonka
2345 Nonpariel Drive
Anytown, CT
(203)123-4567

POSITION OF TRUST
Executor

- Instructions:** (1) A fiduciary may use this form to account for a decedent's estate unless the court has ordered the fiduciary to submit an account or separate principal and income accounting is required under Probate Court Rules of Procedure, section 38.1.
(2) Type or print the form in ink.
(3) Report all assets at fiduciary acquisition value unless otherwise indicated. See the Probate Court Rules of Procedure, section 36.14.
(4) Attach supporting schedules as required under the Probate Court Rules of Procedure, section 38.2 (d).
(5) The fiduciary shall send a copy of this account to each party and attorney.
(6) For further information, see the Probate Court Rules of Procedure, sections 38.2 and 38.4.

EACH FIDUCIARY WHO SIGNS THIS ACCOUNT REPRESENTS UNDER PENALTIES OF FALSE STATEMENT THAT:

- All supporting records for this account have been retained as required by the Probate Court Rules of Procedure, section 36.13, and that the records are available for review upon request.
- All funeral expenses, taxes, administration expenses and claims allowed against the estate are shown below and have been paid.
- The following is a true and complete account of all assets of the estate and the fiduciary's receipts, payments and distributions.

ASSETS AND INCOME RECEIVED BY FIDUCIARY	
Total amount reported on the inventory as on file	\$ 14,998.05
Total amount of additional assets received [Attach schedule]	
Cash advanced to the estate by Willy Wonka <i>(Indicate person who advanced funds and if there is an expectation of reimbursement.)</i>	232.34
Income received [Attach schedule]	2,166.17
Gains realized on the sale of assets [Attach schedule; if real property has been sold, attach settlement statement from closing in addition to schedule.]	
Adjustments increasing fiduciary acquisition value	
RECEIVED	Total \$ 17,396.56

MAY 17 2018

Payments

Funeral Expenses: Ralph E. Hull Funeral Home & Cremation Service	\$	14,466.10
Administration Expenses:		
Fiduciary fees:	\$	
Fiduciary disbursements:	\$	
Attorney's fees: Dewey Cheatham, LLC	\$	1,500.00
Attorney's disbursements: Recording fee: \$53.00; Print Publications: \$40.71	\$	93.71
Accounting expenses:	\$	
Probate court fees and expenses:	\$	517.29
Probate bond premium:	\$	
Publication of notices: See payment by Attorney	\$	
Other expenses (Specify and attach second sheet if necessary.) Title search	\$	450.00
Taxes:		
Town of:		
Property Tax	\$	
State of Connecticut		
Income Tax	\$	
Estate Tax	\$	
Internal Revenue Service		
Income Tax	\$	
Estate Tax	\$	
Total amount of claims as reported on PC-237, Return of Claims and List of Notified Creditors	\$	
	Total \$	17,027.10

Distributions

Except as provided in section 37-4 of the Probate Court Rules of Procedure, distributions must be itemized and listed at fair market value on the date of distribution. Attach second sheet if necessary.

Distributions Already Made as of the Date of this Financial Report

Name of Distributee	If decedent had a will, specify section providing for distribution	Assets Distributed	Fair Market Value
			\$
			\$
			\$
			Subtotal \$ 0.00
			\$
			\$
			\$
			Subtotal \$ 0.00
			\$
			\$
			\$
			Subtotal \$ 0.00
			Total \$ 0.00

PAYMENTS AND DISTRIBUTIONS BY FIDUCIARY	
Funeral expenses	\$ 899.00
Administration expenses [Attach schedule.]	7,754.45
Total amount of claims as reported on PC-237, Return of Claims and List of Notified Creditors	1,325.36
Losses realized on sale of assets [Attach schedule; if real property has been sold, attach settlement statement from closing in addition to schedule.]	
Adjustments decreasing fiduciary acquisition value [Attach schedule.]	
Distributions already made to heirs or beneficiaries [Attach schedule of distributions at fiduciary acquisition value and fair market value.]	
Assets on hand [Attach schedule of assets on hand at fiduciary acquisition value and fair market value and schedules showing proposed distribution and reserve.]	7,417.75
Total \$	17,396.56

CASH ACCOUNT

Cash reported on inventory or last account	\$ 14,998.05
Additional cash receipts	\$ 232.34
Income	\$ 2,166.17
Proceeds from sales of assets	\$
Other	\$
Total \$	17,396.56
Funeral expenses	\$ 899.00
Administration expenses	\$ 7,754.45
Claims paid	\$ 1,325.36
Purchases of assets	\$
Distributions	\$
Other	\$
Cash on hand	\$ 7,417.74
Total \$	17,396.55

EACH FIDUCIARY REQUESTS: (1) approval of this account; (2) approval of any proposed distribution shown in this account; and (3) release from liability with respect to all items shown in this account.

ESTATE OF WILBUR WONKA

FORM BEING CONTINUED: PC-242 DECEDENT'S ESTATE ADMINISTRATION ACCOUNT

ASSETS AND INCOME RECEIVED BY FIDUCIARY

<u>To amount of inventory as on file:</u>		\$	14,998.05
Chase Card services (credit card overpayment)	\$	12.26	
Anthem Blue Cross Blue Shield (premium refund)	\$	512.91	
Oppenheimer (final distribution)	\$	641.00	
Income - Fidelity Moneyline	\$	750.00	
Income - VGI-Prime MM Investment	\$	250.00	
Cash advanced by Willy Wonka	\$	232.34	\$ 2,398.51
TOTAL ASSETS AND INCOME			<u>\$ 17,396.56</u>

PAYMENTS AND DISTRIBUTIONS BY FIDUCIARY

Funeral Expenses:

Chocolate Bar Funeral Home	\$	899.00	
Total Funeral Expenses -			\$ 899.00

By Administration Expenses:

Fiduciary's expenses	\$	919.45	
NY Times (announcement)	\$	835.00	
Probate Fees (estimated)	\$	3,500.00	
Attorney's fees: Candy Sweet LLP (estimated) Total	\$	2,500.00	
Administration Expenses -			\$ 7,754.45

Return of Claims:

Bank of America credit card	\$	835.81	
Chase credit card	\$	208.24	
Discover credit card	\$	281.31	
Total Amount of Claims as reported on PC-237			\$ 1,325.36

Total Payments and Distributions:			<u>\$ 9,978.81</u>
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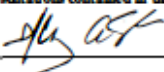
Proposed Distributions:

Reimbursement to Willy Wonka for monies advanced to Estate	\$	232.34	
Willy Wonka	\$	7,185.41	

TOTAL PAYMENTS AND DISTRIBUTIONS INCLUDING PROPOSED:			<u>\$ 17,396.56</u>
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The representations contained in this account are made under the penalties of false statement.

Signature of Fiduciary



Signature of Fiduciary

Willy Wonka

[Type or print name.]

Date May 14, 2018

[Type or print name.]

Date

CERTIFICATION

I certify that a copy of this account was sent to each of the following persons:


Name and Address

Willy Wonka
2345 Nonpariel Drive
Anytown, CT

Charlie Bucket
567 Main Street
Hershey, PA

Candy Sweet LLP
987 Lollipop Lane
Sugartown, CT

Signature of Fiduciary or Attorney for Fiduciary



Candy Sweet LLP

[Type or print name.]

Date May 14, 2018

Court Review of Financial Report



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- Balancing to the penny not required (and likely not possible with FMV reporting of distributions)
- Areas of focus:
 - Has the fiduciary paid all expenses, taxes and claims?
 - Does the amount the beneficiaries are receiving make sense in light of the inventory, income, debts and expenses?
- Deference to beneficiaries

Court Review of Financial Report



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- Is necessary information missing?
- Are reported amounts unreasonably large or small?
- Is investment performance reasonable?
- Does the entry for inventory reflect any substitute or supplemental inventory?
- Is there income in each of the categories that would be expected given the assets?

Court Review of Financial Report



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- If real property sold, is there a settlement statement attached?
- Is the funeral bill paid?
- Is the probate fee paid?
- Are estate and income taxes, if any, paid?
- If there is a car or real property, are municipal property taxes shown as paid?
- Do claims match the list of claims?

Court Review of Financial Report



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- If intestate, are distributions to heirs in accordance with the statutes?
- If testate, are all bequests and devises in accordance with the will?
- Is the reserve appropriate?
- Did the fiduciary certify that copies have been sent to parties and attorneys?

Choice



EXIT NOW



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REPORT OR ACCOUNT???

When Financial Report Permitted

Section 36.1



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- General rule: Any fiduciary who is required to account may be able to satisfy that legal requirement by submitting a financial report
- Fiduciary is free to submit an account rather than a report



EXCEPTION
to the
RULE!

Exception Where Account is Required

- Section 36.3: Fiduciary must submit account if required to account separately for principal and income
- Financial reports will be sufficient for most decedents' estates, conservatorships and guardianships

When an Account is Required Decedents' Estates

- Section 38.1: Income and principal must be reported separately if:
 - Will provides for a distribution to a trust that has differing principal and income interests
 - Will establishes a life interest in intangible personal property
 - Surviving spouse elects against the will under section 45a-436

When an Account is Required Trusts

- Accounts are more common for trusts due to different principal and income interests
- Financial reports for trusts are commonly used for:
 - Trusts for minors / young adults
 - Special needs trusts
 - Discretionary spray trusts (common with credit shelter trusts)
 - Charitable unitrusts and annuity trusts

Court May Require a Full Account

Section 36.3

- Court may require an account (motion of party or court's own motion) if necessary to review the fiduciary's management of the estate
- Court may not require an account after approving a financial report

Considerations Financial Report vs. Account



- Cost
- Beneficiary preferences
- Fiduciary exoneration
- See C.G.S. section 45a-176
- Consider attaching schedules to provide details on items of concern
- Tracking investment performance of specific assets



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OTHER KEY PROVISIONS

Definitions

Rule 1

- Many terms used in the rules are defined
- Important definitions for fiduciary accounting:
 - Account
 - Financial report
 - Current beneficiary
 - Contingent remainder beneficiary
 - Presumptive remainder beneficiary
 - Trust protector

Forms of Reports and Accounts

Section 36.4

- Report or account must be presented “in a concise, clear and understandable manner and in sufficient detail so that the court and the parties can review the fiduciary’s management of the estate”
- May use PC form or other format

Forms of Reports and Accounts

Section 36.4

- Report or account must be signed under penalties of false statement
 - If more than one fiduciary, all co-fiduciaries must sign unless accompanied by a written explanation under section 7.4 (e)

Duty to Send Copies

Section 36.5

- Beneficiary access to information is a core principle of the new rules
- Fiduciary required to send copies of financial report or account to all parties and attorneys at the time of filing
 - Attorney may send copies on behalf of fiduciary
 - Certification that copies were sent is required
 - Forms include certification section
- Email delivery is sufficient

Record-Keeping Requirements

Section 36.13



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- Fiduciary required to maintain complete financial records
- Detailed list of records included in section 36.13
- Destruction permitted only after approval of account (and appeals period) and expiration of any other record retention requirement, whichever is later
- Ensures that fiduciary has ability to prepare a full account if necessary or that auditor can conduct thorough examination
- New forms include reminder re: Records retention

Fiduciary Acquisition Value

Section 36.14



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- “Fiduciary acquisition value” replaces “book value”
- Decedents’ estates: FMV at date of death
- Trusts: FMV at date of death or other value determined by court after considering nature of the trust and manner of funding
- COE / GOE: FMV on date of appointment of first fiduciary

Adjustments to Fiduciary Acquisition Value

Section 36.14

- FAV is NOT adjusted for market fluctuations
- FAV IS adjusted:
 - Purchase and sale of assets
 - Additional investments in an asset
 - Capital improvements to real property
 - Return of capital on an investment
 - Principal payments on a promissory note
 - Sale of partial interest

Annual Report on Status of Estate

Section 30.21

- If administration not completed in 1 year, executor or administrator must file a status update
- Required contents:
 - Amount of distributions already made
 - Amount of estate on hand
 - Reasons why administration not complete
- Court may order expediting steps
- New PC-286 Status Report form



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RULE 38 ACCOUNTS

Account: Detailed Information



Section 1.1 (1) defines an account as “a document meeting the requirements of Rule 36 by which a fiduciary provides detailed information about the management of an estate”

Requirements for Accounts



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- Rule 38 separately lists requirements for 2 types of accounts:
 - Section 38.2: Principal and income transactions combined
 - Section 38.3: Principal and income transactions reported separately
- Combined account will likely be used least often because a fiduciary may use a financial report instead of an account if income and principal do not need to be reported separately

Separate Reporting Required In Decedents' Estates Section 38.1

- Will provides for a distribution to a trust that has differing principal and income interests
- Will establishes a life interest in intangible person property
- Surviving spouse elects against the will under section 45a-436

Separate Reporting Required For Trusts

Section 38.1

- Will or other governing instrument provides for differing principal and income interests (which is typical)
- Exceptions include trusts for minors / young adults, special needs trusts, discretionary spray trusts and charitable unitrusts and annuity trusts

Comparison to Former Rule 6



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- Rule 38 similarities
 - Account begins with summary of charges and credits
 - Charges and credits must balance
 - Supporting schedules required
 - Assets must be tracked at FAV
 - Principal and income cash reconciliations required

Comparison to Former Rule 6

- Rule 38 key differences:
 - Rule 38 is 4 pages / Rule 6 was 21 pages
 - Rule 38 is written as lists of requirements / Former Rule 6 was a discussion of considerations
 - Transactions can be grouped into categories

PC Forms for Accounts



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- Forms available on website for combined principal and income reporting
 - PC-242 Decedents' estates
 - PC-241 Cover page for manuscripted account (decedent)
 - PC-441 COE / GOE
 - There is no form for trust accounts

Summary



- It is always acceptable to use an account instead of a financial report
- Using a financial report if allowed under the rules may save time and money
- A court may always require an account
- Even though the rules do not require a financial report to balance, the court may require explanation or revision to a financial report that doesn't balance

Item	Rule	Financial Report	Account
All parties must be sent copies	36.5	Yes	Yes
Separate principal and income entries	36.2(1); 38.1(b)	No ¹	Yes ²
PC forms available but not required	36.4(c)	No	No
Transactions may be grouped into categories	37.1(a); 37.2(a); 37.3(a); 38.2(a); 38.3	Yes	Only if P&I transactions are combined
FAV tracking required	37.1(a)(1); 37.2(a)(1) & (7); 37.3(a)(1)&(7); 38.2(b),(c) &(d); 38.3(c),(d),(f) &(g)	No	Yes
Must balance	36.2(3); 38.5	No	Yes
Contributions to estate	38.2(b)(3);	Yes	Yes
Ordinary Income	37.1(3); 37.2(3); 37.3(3); 38.2(b)(4); 38.2(d)(4); 38.3(e)(1)&(2); 38.3(h)(1)	By category	Yes
Itemization of in-kind distributions	37.1(8) & (9); 38.2(d)(9)&(10)(a); 38.3(g)(8)&(9)(a);	Yes	Yes
Itemization of tangible property	37.4(d); 38.4(c)	No ³	No ³
In-kind distributions must be at market value	37.4(b); 38.4(d)	Yes ⁴	Yes
Supporting schedules required	37.1(b); 38.2(d); 38.3(g); 38.3(h)	No	Yes
P&I cash reconciliation required	36.2; 38.3(i)	No	Yes ⁵
All financial records must be preserved	36.13	Yes	Yes
Supporting schedules required	37.1(b); 37.2(b); 37.3(b); 38.2(d)	No	Yes

1. Total income must be reported. See Rule 37.1(a)(3); 37.2(a)(3); 37.3(a)(3)
2. Combined account is permissible, but will likely be used least often because a fiduciary may use a financial report instead of an account if income and principal do not need to be reported separately
3. Unless itemized on inventory
4. Fiduciary may use FAV if all heirs or beneficiaries will receive proportionate share of in-kind distributions
5. Also reference C.G.S section 45a-542b



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Questions