## A note on Capital Gains Tax and Step Up in Basis Rules at death

When an asset is transferred upon death, the step-up in basis kicks in and adjusts the value of the asset from when it was originally acquired to its current value. The value is "stepped-up" to the asset's value at the time the decedent died.

Essentially, a step-up in basis functions as a reset for the value of the inherited asset to its current value at the date of death.

**Home Sale with Step Up** 



\$100K



Buys home valued at \$100K

Testator Tom passes away

Beneficiary Betty inherits the home now valued at \$500K \$500K



Home Basis "Stepped Up" to Tom's Date of Death 4

Beneficiary Betty sells home for \$500K

\$500K



Betty owes \$0.00 in Capital Gains because the value reset