Joyce Ingalls is the daughter of the late Fred Ingalls, who died August 15, 2010. One of the items included in this gross estate was a traditional (regular/non-Roth) IRA valued at several million dollars. Mr. Ingalls’s estate will owe taxes, but no estate taxes had been paid by March 1, 2011, the date Joyce filed her 2010 individual income tax return, which she prepared. Included in her gross income for 2010 was a $50,000 distribution from her father’s IRA. After talking with a friend, she wonders whether a Sec. 691(c) deduction was available on her 2010 return, and she has contacted you to resolve this issue. Could you address whether Joyce is entitled to claim a Sec. 691 (c) deduction for income in respect of a decedent (IRD) she collected, given that no estate tax has yet been paid on the IRD or any other inclusion in her father’s gross estate. Also can you address in a conceptual manner how the deduction, assuming it’s available, is calculated?

Here are the sources:

IRC Sec. 691 (c)

FSA 200011023