Glossary of Terms

1031 Exchange–A tax provision that allows a taxpayer to exchange real property used in a trade or business or held for investment for any other business or investment real property and defer the recognition of gain from that exchange. Also called a like-kind exchange.

A Trust–A term, used in the A-B trust planning or A-B-C trust planning model, for the trust that uses the unlimited marital deduction to avoid estate taxes at the death of the first spouse.

ABLE Account–A tax-advantaged savings account where contributions can be made to meet the qualified disability expenses of the designated beneficiary. The funds within the account will not be counted when determining if the beneficiary is qualified for needs-based government programs. ABLE is an acronym for Achieving a Better Life Experience and is authorized by IRS § 529A.

A-B Trust Planning–A technique used by married individuals to legally maximize their estate tax exemptions. The strategy involves creating two separate trusts after one spouse passes: A Trust (marital deduction trust) and B Trust (bypass trust). Portability has made this type of planning less frequent.

A-B-C Trust Planning–A technique used by generally well-off married individuals to legally maximize their estate tax exemptions. The strategy involves creating three separate trusts after one spouse passes: A Trust (marital deduction trust), B Trust (bypass trust), and C Trust (QTIP trust).

Accelerated Cost Recovery–Special tax rules that allow business assets to be depreciated at a faster rate than what would be allowed using standard depreciation.

Ademption–The failure of a bequest from a will because the property is no longer in the estate. Example: The decedent leaves "My car to my niece," but owns no car at the time of death.

Adjusted Basis–The value of an asset for tax purposes that includes basis at acquisition, plus the cost of improvements, minus depreciation adjustments.

Administrator–A person appointed by a probate court to carry out the transfer of a decedent's assets according to state law if no will was created.

ADS–Short for "alternative depreciation system" that is allowed by the IRS to determine the depreciation on business assets for income tax purposes.

Advanced Directive–A written document by which a person directs that his or her life is not prolonged by extraordinary measures when there is no reasonable expectation of recovery from severe mental or physical disability.

Advancement–A gift made during a donor's life to a family member, usually when the donor anticipates his or her own death. The value of the advancement is included in the calculation of the net probate estate when the donor dies intestate.

Affidavit–A written statement of fact that states it was given under oath and signed by an individual attesting to the truth of the statement, which can be used in a variety of legal proceedings. State law controls what procedure or language is required to make a valid affidavit.

Affidavit of Survivorship–A document placed upon the land record stating that one owner of joint tenancy real estate has died.

Agent–The person receiving a grant of authority to act on another's behalf. The power given to this person is controlled by the power of attorney document.

Ancestor–The relative of a particular individual from whom that individual is descended directly. For example, a person's parent, grandparent and great-grandparent are their ancestors.

Ancillary Probate–A secondary probate court proceeding that occurs when the decedent lived in one state and owned real estate outside of their residential state. The ancillary probate ensures the out-of-state real estate is properly transferred to the next owners.

Annual Exclusion Amount–A tax policy that sets the amount of money one person may transfer to another as a gift without incurring a gift tax or affecting the unified credit. This annual gift exclusion can be transferred in the form of cash or other assets. In 2025 the amount is $19,000.

Anti-lapse Statute–If a testator devises property to a person in his will and that person predeceases the testator, an anti-lapse statute will allow the devised property to pass on to that person's descendants or through their estate rather than force the gift to pass through intestacy.

Applicable Federal Rate (AFR)–The minimum interest rate the Internal Revenue Service allows for loans between two private individuals or entities.

Articles of Incorporation–The founding document of a corporation. This document must be filed with a state agency and state law dictates what information must be found within. Usually, the number of shares and type of shares of the corporation are listed within this document.

Asset Protection Trust–An irrevocable trust that purposely impoverishes the grantor in order to shield the assets from creditors and possibly Medicaid estate recovery.

Assignment–Transfer of property (real or personal) to another including all rights associated with the assignment.

Assignee–One to whom a right, title, or interest is assigned; also referred to as grantee.

Assignor–One who assigns a right, title, or interest to another, also grantor.

Attestation Clause–A clause at the end of a will, which sets forth the legal requirements the document must satisfy, states that those requirements have been met, and is signed by one or more witnesses. An attestation clause strengthens the presumption that the requirements have been met.

B trust–A term, used in the A-B trust planning or A-B-C trust planning model, for the trust that holds assets in value up to the amount of the current estate and gift tax exemption available to the deceased. Any additional assets go to the A trust/marital deduction trust or C trust/QTIP trust.

Basic Exclusion–The amount of the federal unified tax credit that determines the lifetime amount will be exempt from gift and estate taxes. The credit amount determines how much one can gift during their lifetime or pass on as part of their estate without having to pay gift tax or estate tax. The credit amount changes annually; in 2025 the amount is $13,990,000 per person.

Basis–The value of an asset that is used when determining the gain or loss for tax purposes when the asset is sold.

Basis Adjustment–A tax policy that uses the fair market value of assets at the time a person inherits these, instead of the value when the prior owner purchased the assets, to determine the new owner's basis in the asset.

Beneficiary–Person named in a will or trust to receive some benefit or thing from the estate or trust.

Bequest–Usually personal property received under a will. Also known as legacy.

Board of Directors–The governing body of a corporation responsible for overseeing management and setting the strategy of the business. Typically, shareholders will elect the directors.

Bonus Depreciation–Additional first year depreciation sometimes allowed by tax law.

Business Asset–Property used in a trade or business and subject to rules found in IRC §1231 when sold or exchanged.

Business Entity–An organization structure that conducts business. This term encompasses more specific terms such as Limited Liability Company (LLC), partnership, corporation, and sole proprietorship.

Business Records–Documents used to keep track of business transactions. This includes, but is not limited to, invoices, receipts, contracts, financial statements, bank account statements, and meeting minutes.

Buy-Sell Agreement–A document agreed to by the business and its owners on how, when and at what price an owner may transfer or sell ownership interest in the business.

Bylaws–A business document that details and controls the financial and functional decisions including rules, regulations, and provisions of the corporation. The purpose of the document is to govern and control the internal operations and transfers of ownership. Usually, only corporations use this term.

Bypass Trust–A term, used in the A-B trust planning or A-B-C trust planning model, for the trust that holds assets in value up to the amount of the current estate and gift tax exemption available to the deceased. Any additional assets go to the A trust/marital deduction trust or C trust/QTIP trust.

C-corporation–The tax term used to describe the default federal income taxation of a corporation. The corporation is taxed at corporate tax rates, and any dividends distributed to shareholders are subject to the owner's individual federal income tax.

C Trust–A term, used in A-B-C trust planning model, for the trust that holds assts where the spouse can receive the income generated from this trust, but not the assets themselves. This trust follows tax rules established in IRC § 2056.

Capital Asset–Property held by a taxpayer, usually held for personal or investment purposes. The disposition of these assets is controlled by IRC § 1221.

Capital Contribution–Cash or other assets an owner contributes to the company at the company's inception or throughout the life of the company.

Capital Gains Tax–The tax on profits realized upon the sale of long-term capital or business assets.

Capital Loss–When a capital asset is sold or exchanged for less than the adjusted basis of the asset.

Carryover Basis–A tax policy that uses the basis of the prior owner to determine the new owner's basis in the asset when the asset is gifted to the new owner instead of inherited.

Certificate of Organization–A document required to be filed with a state agency to register a limited liability company (LLC).

Charitable Deduction–An estate and gift tax rule that allows one to transfer an unrestricted amount of assets to qualified charities at any time, including at death, free from tax and without the transfer counting against the basic exclusion.

Charitable Remainder Trust (CRT)–A trust where a non-charitable beneficiary receives a stream of income for the duration of the trust, and a designated charity receives the remaining trust assets upon termination. This type of trust typically is used to avoid higher tax liability.

Class–A group of people with the same rights, usually the same distributive rights that must be apportioned among the group.

Closely-Held Corporation–A corporation where the shareholders also are the members on the board of directors and the officers.

Clouds on the Title–Any document, claim, unreleased lien, or encumbrance that might invalidate, impair, or cause doubt on the ownership of an asset or real property.

Codicil–A formal amendment to the terms of a will, usually an addition or supplement that explains or modifies a provision, or revokes part of the will.

Comingle–When someone or some entity mixes funds belonging to one party with funds belonging to another party.

Conservator–A person who has been appointed by a court or otherwise has the legal authority and the corresponding duty to make decisions relevant to control of assets and debts of a minor or other person who is deemed legally incompetent.

Contesting–To oppose, dispute, or challenge through formal or legal procedures.

Contingent Beneficiary–A person, organization, or institution that receives estate property when the first named beneficiary is unable or refuses to take the property.

Corporation–A business structure authorized by state law that creates a legally established entity that is separate from its owners and is allowed to enter into contracts, own assets and incur debt, sue, and be sued.

Corpus–In the context of trusts, the assets that are placed into and titled to a trust. Also referred to as principal.

Credit Shelter Trust–A term, used in the A-B trust planning or A-B-C trust planning model, for the trust that holds assets in value up to the amount of the current estate and gift tax exemption available to the deceased. Any additional assets go to the A trust/marital deduction trust or C trust/QTIP trust.

Creditor–A person or business entity who is owed money or has a financial claim against a debtor.

Deadhand Control–A legal term for provisions and terms found within wills and trusts that control how property is managed after your death and far into the future.

Death Benefit–Insurance or pension money payable to a deceased person's designated beneficiary.

Debt–A financial liability or obligation owed by one person, the debtor, to another, the creditor.

Debtor–A person or other legal entity who owes money or services to another person or company.

Decanting–In the context of trusts, the legal process necessary to change a trust when it is irrevocable, either by design or due to the death of the grantor(s). This process usually is costly, requires court oversight and is done to correct drafting errors, avoid adverse tax consequences, or to extend the life of a trust when necessary.

Deceased Spouse Unused Exclusion (DSUE)–An estate tax election that allows the surviving spouse to use the unused portion of the predeceased spouse's estate tax exemption.

Decedent–The person who died.

Deduction–A provision in the tax code that reduces taxable income. There are many deductions available in the current federal tax code.

Depreciation–The estimated reduction in value of fixed assets within a fiscal year. It is an expense claimed as an income tax deduction if the asset is used in a trade or business pursuant to IRC § 167.

Descendant–A descendant is a person born in a direct biological line. For example, a person's children, grandchildren and great-grandchildren are their descendants.

Devise–A transfer of real property by means of a will.

Director–An individual who sits on the governing body of a corporation (board) and who is responsible for overseeing management and setting the strategy of the business. Typically, shareholders elect the directors.

Disclaim–When a beneficiary or heir refuses to receive property they would otherwise be entitled to.

Disinherit–To deliberately prevent someone, usually a relative, from receiving assets from an estate.

Disinterested Witnesses–Individuals who oversee the will signing ceremony and who will not receive anything under the will.

Distribution (Tax)–When a company disburses company income to the owners of the business.

Distribution (Estate Plan)–When a beneficiary receives a benefit from an estate or trust.

Dividend–The distribution of a corporation's profits to its shareholders, which is determined by the company's board of directors. This term typically is reserved for certain payments from c-corporations to shareholders. The IRS defines dividend under IRC § 316.

Doctrine of Emblements–A legal rule that allows a life tenant's estate to harvest crops or receive the financial benefit of crops that were planted before the farmer life tenant died.

Durable Power of Attorney–A written authorization to another to act on one's behalf that continues even after the principal has diminished cognitive capability or severe mental decline.

Elective Share–The legal right of a spouse to a portion of decedent's estate, regardless of the provisions found in the will or revocable trust.

Emblements–Annual crops to which a tenant who cultivated the land is entitled. If the tenant dies before harvest, the right to harvest the crops will pass to his or her heirs.

Escheat–The revision of a person's property to the state when death occurs and there is no will or heirs.

Estate–The total property, real and personal, owned by an individual prior to death that requires distribution to an heir after their death.

Estate Planning–The arrangement of one's estate for the disposition and management of property at death using wills, trusts, insurance policies, beneficiary designations, and other tools.

Estate Settlement–Settling the affairs of a deceased person.

Estate Tax–A tax on your right to transfer property at your death. There is a federal estate tax and some, but not all, states also have an estate tax. The federal estate tax statutes are found in 26 USC §§ 2001-2210.

Execute–To sign or complete all formalities necessary to make a document legally effective, such as signing, notarizing, or witnessing.

Executor–A person named within the will and tasked with administering the estate of the decedent and carrying out the provisions of the will. While the term usually refers to both genders today, the term executrix refers to a female executor.

Executor's Bond–A type of surety bond obtained by the executor, usually from an insurance company, and filed with the court that helps to ensure the executor properly administers the estate. If the executor mismanages funds or absconds with estate property, the bond money will reimburse the estate for the executor's bad actions.

Fair Market Value (FMV)–The amount for which a piece of property (real or personal) would be sold in a voluntary transaction between a buyer and seller, neither of whom is under any obligation to buy or sell.

Farm Income Averaging–A federal tax provision that allows a farmer to average some or all of the current year's farm income equally over the previous three years with the goal of reducing the marginal tax rate of the income. The Statute controlling this technique is IRC § 1301.

Fee Simple–Land ownership where the owner is entitled to the entire asset with unconditional power to use the property, restrict others from using it, and can transfer to whomever at any time.

Fertile Octogenarian Rule–A legal concept that a person is capable of having children no matter the age.

Fiduciary–A person who is responsible for proper oversight and management of assets. Fiduciaries include executors, administrators, personal representatives, agents listed in a power of attorney, and trustees.

Fiduciary Duty–A legal obligation to act in the best interest of another, including the duties of good faith, loyalty, due care, and disclosure.

Financial Power of Attorney–A written authorization to another to act on one's behalf for financial purposes.

Final Report–In the probate process, the report given by the administrator to the court detailing what was done, accounting of assets and monies, and final distribution of decedent's assets.

Five-Year Lookback–A rule across all states that has the Department of Health or other applicable state agency reviewing a Medicaid applicant's finances for the previous five years before entering the nursing home to see if any assets were sold for less than fair market value, transferred, or given away. If any assets have been given away or transferred for less than fair market value, the applicant will be deemed ineligible for Medicaid assistance for a period of time, even if they would otherwise finically qualify for Medicaid.

General Partner–Applicable to limited partnerships only, a general partner manages the partnership business and can be personally liable for the business's activities. Compare with limited partner, who is not personally liable for the business's activities.

General Partnership–A business structure where two or more individuals conduct business for profit. Every owner is personally liable for the business's debts, liabilities, and assets.

Gift–The voluntary transfer of property to another person completely free of payment or obligations while both the giver and the recipient are still alive.

Gift tax–A tax on your right to gift property to another. There is a federal gift tax, but no state gift tax except for Connecticut. The federal gift tax statutes are found in 26 USC §§ 2501-2524.

Granted Life Estate–A life estate created by the original owner and given to someone else, typically at the death of the original owner.

Grantor–The original owner of an asset who gives away an ownership interest in the asset. In the context of trusts, they are the individual who creates, and usually funds, a trust.

Gross Estate–For estate tax purposes, the value of all property or interests in property that the decedent holds at death, plus the value of all property gifted during life that counted towards the basic exclusion.

Guardian–A person who has been appointed by a court or otherwise has the legal authority (and the corresponding duty) to make decisions relevant to the personal needs and interests of a minor or other person who is deemed legally incompetent.

Healthcare Power of Attorney–A written authorization to another to act on one's behalf for healthcare purposes.

Heir–In a strict legal sense, a person designated by intestacy law who will receive the property of the deceased when there is no will. In common usage, heir refers to anyone who receives property from the deceased individual.

Heirs' Property–A term used to describe family-owned land that is co-owned by descendants of a deceased person, where individuals have an undivided interest in the real estate.

HIPAA release form–An additional form attached to the healthcare power of attorney that should authorize an agent under a healthcare power of attorney the right to access the principal's patient health information, which is subject to HIPPA protections.

Holographic Will–A will written in the testator's handwriting, signed and dated without witnesses observing the signature. This type of will is only valid in some states; it is not valid in Iowa.

Hotchpot–Putting together or mixing various properties in order to achieve equal division among beneficiaries or heirs.

Income Tax–A tax levied on the wages, salaries, dividends, interest, and other monies a person earns throughout the year. The federal income tax statutes are found in 26 USC §§ 1-1524.

Income in Respect of Decedent (IDR)–Income received after someone dies but not included in the final tax return of the individual. Instead, the income is reported on the estate tax return or a beneficiary's tax return.

Individual Retirement Account (IRA)–A specific type of retirement account that allows the individual to put money away for retirement in a tax-advantaged way.

- **Traditional IRA**–A designated retirement account where an individual contributes pre-tax dollars where investments grow tax-deferred until withdrawal during retirement.
- **Roth IRA**–A designated retirement account where an individual contributes post-tax money, then all future allowable withdrawals are tax-free.
- **SIMPLE IRA**–A retirement savings plan that can be used by most small businesses with 100 or fewer employees. Employers can choose to make a 2% retirement account contribution to all employees or an optional matching contribution of up to 3%.
- **SEP IRA**–A simplified employee pension (SEP) IRA is a retirement savings plan established by employers, including a self-employed individual, for the benefit of their employees and themselves. Employers may make tax-deductible contributions on behalf of eligible employees to their SEP IRAs.

Informal Business Entity–A business structure where there are no filing requirements and few, if any, maintenance requirements. The business is not separate from its owners; any debts or wrongdoings within the business can impact an owner's individual finances.

Inheritance–Assets received from someone who has died.

Inheritance Tax–A tax on the assets received by a beneficiary of an estate and usually paid by the beneficiary of an estate. There is no federal inheritance tax and only six states have an inheritance tax. Iowa's inheritance tax ends January 1, 2025.

In-kind–Refers to payment, distribution, or substitution of goods or services in lieu of money within the context of estate distributions.

Installment Sale–A sale of property where the seller receives at least one payment after the tax year in which the sale occurs.

Interest–For business entity purposes, a unit of ownership in a limited liability company. Owning an interest makes an individual member. Depending on how the interest was obtained and the operating agreement, the owner may be entitled to participate in the management of the business.

Inter Vivos Trust–A trust that takes effect during the life of its creator.

Intestacy–The statutory system for who will receive the assets of an estate when the decedent died without having a will. This term is a noun.

Intestate–A person who has died without having a will. The term is an adjective.

Intestate Succession–The statutory system for who will receive the assets of an estate when the decedent died without having a will. Also referred to as intestacy.

Inventory–A required filing with the probate court that lists the creditors, beneficiaries, assets, and debts of the decedent that have been located by the personal representative.

Investment Assets–Assets passively managed by an individual that are subject to the net investment income tax (NIIT) when they are sold. The NIIT is found in IRC § 1411.

Irrevocable Life Insurance Trust–A trust that is owner of a life insurance policy in order to ensure the proceeds of the policy are not included in the insured's estate at death.

Irrevocable Trust–The trust cannot be amended, revoked, or altered. Some trusts are irrevocable by design; others become irrevocable once the grantor dies.

Issue–The lineal descendants of an individual. Examples include children, grandchildren, and great-grandchildren.

Joint Tenancy–A form of co-owning an asset during an owner's lifetime that allows the asset to automatically transfer to the other owner upon the death, without the need for probate. The legal term for the automatic transfer is called "right of survivorship."

Joint Tenant–The term used to identify an owner of an asset held in joint tenancy.

Judgment–A decision of a court regarding the rights of parties, costs, and financial awards in a legal action or proceeding.

Lapse–The termination of a right, interest, duty, or obligation as a result of the passage of time, or failure of a condition, or a change in circumstance.

Legacy–Personal property received under a will. Also known as bequest.

Letters of Appointment–Documents issued by the probate to the administrator of the deceased's estate empowering them to carry out the necessary administration of the decedent's estate.

Letters Testamentary–Documents issued by the probate court to the executor of the deceased's estate empowering them to enforce the terms of the deceased person's will and carry out the necessary administration of the decedent's estate.

Liability Protection–One of the main benefits of certain business entities, this legal concept protects an owner's individually held assets from any debts or wrongdoings, also known as liabilities, that are the result of the business's actions or dealings.

Life Estate–The conveyance of a property interest for the duration of someone's life. At death, the interest automatically ends, and the property passes to a remainder interest holder.

Life Insurance–A contract in which an insurer, in exchange for a premium, guarantees payment to an insured's beneficiaries when the insured dies.

Life Tenant–One who holds a property interest for the period of their lifetime or the lifetime of another specified person. The property interest is called a life estate.

Like-Kind Exchange–A tax provision that allows real property used in a trade or business or held for investment to exchange that property for any other business or investment real property and defer the recognition of gain from that exchange. Also referred to as a 1031 exchange.

Limited Liability Company (LLC)–A business structure authorized by state law where the owners must register the business to have liability protection like a corporation, but there are fewer required formalities for the business compared to a corporation.

Limited Partner–Applicable to limited partnerships only, this partner has limited liability, but has no management authority of the partnership business. There can be tax advantages to being a limited partner.

Limited Partnership–Authorized by state law, a partnership that has two types of owners, general partners and limited partners. Limited partners receive the benefit of limited liability, but have no management authority. General partners manage the partnership business, and can be personally liable for the business's activities.

Living Trust–A trust that takes effect during the life of the grantor. However, the trust may continue after death depending on the terms found within the trust document.

Living Will–A written document by which a person directs that his or her life is not prolonged by extraordinary measures when there is no reasonable expectation of recovery from severe mental or physical disability; different from "Do Not Resuscitate" (DNR) directives. Also known as an advanced directive.

Long-Term Capital Gain–When a capital asset is sold above its adjusted basis and was held for longer than a year by the owner, it receives a preferential capital gain tax rate.

MACRS–Short for "modified accelerated cost recovery system," the common depreciation rate used for business assets for income tax purposes.

Manager-managed LLC–An LLC where the managers, who usually are appointed by the members via vote, are tasked with the daily management and necessary decisions of the business. Compare with member-managed LLC.

Marital Deduction–An estate and gift tax rule that allows one spouse to transfer an unrestricted amount of assets to the other spouse at any time, including at death, free from tax and without the transfer counting towards the lifetime basic exclusion.

Marital Deduction Trust–A term, used in the A-B trust planning or A-B-C trust planning model, that uses the unlimited marital deduction to avoid estate taxes at the death of the first spouse.

Member–An individual who owns a business interest and has at least some management rights in a limited liability company.

Member-managed LLC–An LLC where all owners, titled members, have equal rights in the daily management of the business. The operating agreement of the LLC specifies if the LLC is a member-managed LLC. Compare with manager-managed LLC.

Monetized Installment Agreement–An installment agreement where the seller receives all of the proceeds from the sale of a highly appreciated asset in the year of the sale, but attempts to defer paying the corresponding tax well into the future by claiming the transaction is an installment sale. The IRS has identified this strategy as an "abusive tax arrangement" and often will not uphold the deferral of tax owed.

Non-Probate Assets–Assets in which transfer of title is controlled by a survivorship mechanism, such as a trust, joint ownership, or transfer-on-death designation. These assets will change ownership after the death of an individual outside of probate court.

Officer–An individual responsible for the day-to-day management of a corporation or limited liability company. In a corporation, the board of directors usually is responsible for hiring these individuals. In an LLC, the operating agreement controls who hires these individuals.

Operating Agreement–A business document that details and controls the financial and functional decisions including rules, regulations, and provisions of the business. The purpose of the document is to govern and control the internal operations and transfers of ownership. Usually, limited liability companies use this term.

Ordinary Income Tax–The default income tax that applies to any income received that is not subject to an exemption or other taxation rate. The tax rate is determined by the tables found in IRC § 1.

Pass Through Entity–The tax term used to describe when a business does not pay federal income tax on its own. Instead, the owners of the business are responsible and obligated to pay the tax of the business on their individual return.

Partition–A court action to divide co-owned property.

Partition in Kind–When the partition action results into a parcel being separated into distinct portions so each co-owner may hold his or her proportionate share individually and without co-ownership.

Partition by Sale–When the partition action results in a parcel being sold under court supervision and each co-owner receives his or her proportionate share of the profits from the sale.

Partner–An individual who owns a business interest in a partnership business entity. In a general partnership, every partner has management rights and income rights.

Partnership Agreement–A business document that details and controls the financial and functional decisions including rules, regulations, and provisions of the business. The purpose of the document is to govern and control the internal operations and transfers of ownership. Usually, partnerships use this term.

Passive Income–A tax term for income derived from an enterprise where the recipient does not materially participate in the business. There are unique federal income tax consequences associated with passive income. The IRS defines this type of income in IRC § 469(c).

Payable-on-Death (POD)–When an asset is titled in order to allow a named beneficiary to receive the property immediately upon the original owner's death without having to utilize the probate court, but the beneficiary does not have access to the property during the original owner's life. This is only allowed with certain assets, typically bank accounts or stock portfolios.

Personal Representative–A person appointed by a court to oversee the distribution of an estate. This term includes both administrators (intestacy) and executors (testamentary).

Pierce the Veil–Occurs when a court holds a corporation's shareholders or directors or an LLC's members or managers personally liable for the business's actions or debts. This usually occurs when the business structure and formalities have not been honored and followed.

Portability–An estate tax election that allows the surviving spouse to use the unused portion of the predeceased spouse's estate tax exemption.

Pour-over Will–A will that contains a provision to place any estate assets not in the trust at the time of death into a living trust to be overseen by a trustee upon the testator's death.

Power of Attorney–A written authorization to another to act on one's behalf or as one's agent.

Prenuptial Agreement–An agreement between spouses executed before the marriage. The agreement determines their rights regarding property and support when the marriage ends either by death or divorce and can bypass statutory provisions pertaining to surviving spouses and divorce.

Principal (Power of Attorney)–The person giving another a grant of authority to act on the giver's behalf.

Principal (Trust)–In the context of trusts, the assets that are placed into and titled to a trust. Also referred to as corpus.

Probate–The term used to describe when a court of law oversees the transfer of the decedent's estate. The probate court has the authority to verify the legality of a will, carry out its instructions, distribute property to the correct individuals and oversee the executors' actions.

Probate Assets–Assets in which transfer of title after death of the first owner is overseen by the probate court and subject to the probate state laws.

Probate Process–The procedure and filings required by state law that must be followed for the probate court to effectuate and oversee the transfer of decedent's assets.

Purchase Option–A real estate interest that gives an individual or entity the right to purchase property at a certain price within a certain time period but without an obligation to purchase.

Public Record–Filings, transcripts, or any other document a court is required to maintain that are accessible to anyone who asks for a copy, even if they are not involved with the case.

Qualified Joint Venture–A tax election for a business arrangement between spouses who file a joint tax return that offers no liability protection but allows the individuals to avoid partnership taxation and instead receive sole proprietor taxation. This election is controlled by IRC § 761(f).

QTIP Trust–A term, used in A-B-C trust planning model, for the trust that holds assets where the spouse can receive the income generated from this trust, but not the assets themselves. This trust follows tax rules established in IRC § 2056.

Recapture–A requirement to pay back a tax benefit. Commonly used to describe the gain realized by the sale of a depreciated asset that must be reported as ordinary income for tax purposes. Depreciation recapture is determined by the depreciation deductions taken by the taxpayer on the asset. Recapture also is possible with special use valuation.

Remainder Interest–A future interest in property held by a remainder person usually following a life estate or term interest.

Remainder Person–One who is entitled to hold a remainder interest. Commonly referred to as a remainderman, if one, or remaindermen, if multiple.

Rent–Money paid to the owner of an asset in return for use of the asset.

Rental Option–A contractual right to be offered the ability to rent an asset, usually farm ground, before another individual or entity could rent the asset.

Restraint on Alienation–A prohibition or limitation on how a new owner can convey an interest in real property. Many states limit a testator's ability to create a restraint on alienation.

Retirement Account–A designated account established to specifically allow a person to put money away for retirement in a tax-advantaged way.

Retained Life Estate–A life estate one preserved by the original owner for themselves while transferring the remainder interest to another person(s), typically a spouse or children.

Revocable Living Trust–The grantor creates the trust during his or her lifetime and retains the power or right to amend, revoke, or alter the trust during the grantor's lifetime. These trusts may save estate settlement costs, but do not remove the assets from the taxable estate for federal estate tax purposes.

Right of First Refusal–A contractual right giving someone the option to purchase an asset before any third party could purchase the asset.

Right of Survivorship–A feature of joint tenancy whereby the surviving tenant or joint tenants automatically acquire all the rights, title, and interests of the deceased joint tenant.

Rule Against Perpetuities–A legal rule adopted by most states that prevents a trust from owning an asset indefinitely, or puts deadhand control measures in estate planning documents that extend a time long beyond the lives of people living when the estate plan was written. The default rule disallows control more than 21 years after the death of a person who is alive at the time the trust or estate plan is enacted.

S-corporation–The tax term used to describe an optional taxation structure for corporations for federal income taxation purposes. If a corporation qualifies, the business can elect to be taxed at the shareholder level and be a pass-through entity, and not taxed at the business entity level.

Section 179–An income tax provision that allows those in a trade or business to immediately expense, and therefore deduct, the cost of tangible personal property, subject to financial limitations.

Section 1221 Assets–Property held by a taxpayer for personal or investment purposes. The default is that the asset is subject to capital gain or loss upon sale of the asset. The disposition of these assets is controlled by IRC § 1221.

Section 1231 Assets–Property held for more than one year that is used in a trade or business and subject to rules found in IRC § 1231 when sold or exchanged.

Self-dealing–When an owner of a business or a fiduciary uses their position within the business to better their own interests to the detriment of the business.

Self-Employment Tax–Taxes self-employed individuals, independent contractors, and small business owners pay to the federal government to fund Medicare and Social Security. Employees pay these taxes as well, but a portion of the tax is paid by the employer.

Self-Proving Affidavit–An affidavit where the witnesses swear before a notary stating the will was validly executed, and the testator had testamentary capacity.

Share–A unit of equity ownership in the capital stock of a corporation. Owning a share makes an individual a shareholder and entitles that person to shareholder rights under state law and the corporation's bylaws.

Shareholder–An owner of a corporation who is entitled to the profits of a corporation and may have voting rights on specific issues if authorized by the bylaws.

Short-Term Capital Gain–When a capital asset is sold above its adjusted basis and was held for a year or less by the owner, it is taxed at ordinary income tax rates.

Small Estate–An estate that contains property with a value small enough to be eligible, under state law, for simplified probate procedures or out-of-court transfers of the deceased person's property.

Sole Proprietor–Someone who is the sole owner of a non-formalized business.

Sole Proprietorship–A business structure where all business assets are individually owned and there is no legal distinction between the individual and the business.

Sound Mind–The mental ability to make a will measured by a legal test. In Iowa, the testator must have sufficient mental capacity to understand the nature of the will, the property to be disposed of, the identity of close family members, and the way they want to distribute their property.

Special Needs Trust–A specific type of trust that allows a needs-based government benefits recipient to continue to be enrolled in the program without having to use the trust funds for their care. Very specific language is required within the trust to ensure the goals of the trust are met.

Special Use Valuation–A federal estate tax election that allows property to be valued according to its current use rather than the usual "highest and best use" as required under fair market value. This election is established in IRC § 2023A, and there are many necessary conditions to allow this election.

Spendthrift Trust–A specific type of trust where the beneficiary has no control over the asset, and the trustee has the power to determine how the trust funds are spent for the benefit of the beneficiary.

Springing Power of Attorney–A power of attorney where the agent is not authorized to act on behalf of the principal until a certain event or time has occurred. Once that event or time occurs, then the agent's powers "spring" into existence.

Spousal Trust–An irrevocable trust designed to hold the deceased spouse's assets that exceed the amount that can be sheltered from estate taxes. The transfer to the spouse is tax-free due to the unlimited marital deduction.

Statute of Limitations–A law that gives a deadline for when someone can bring an action or claim before a court.

Statutory Share–The legal right of a spouse to a portion of decedent's estate, regardless of the provisions found in the will or revocable trust. Also called elective share.

Stepped-up Basis–A tax policy that adjusts the basis of the assets in a decedent's estate to fair market value at the time of death.

Succession Planning–The process of preparing to transfer an operating farm or ranch to the next owner(s).

Successor Trustee–A person or entity listed in the trust document who is nominated to become trustee once the initial trustee dies or is no longer able to serve.

Supplemental Needs Trust–A specific type of trust that allows a needs-based government benefits recipient to continue to be enrolled in the program without having to use the trust funds for their care. Very specific language is required within the trust to ensure the goals of the trust are met.

Surviving Spouse–A living spouse who was not divorced from the decedent at the time of the decedent's death, and therefore is entitled to an elective share.

Tangible Personal Property–Individually owned assets that can be felt or touched, and physically relocated. Includes: furniture, most family heirlooms, jewelry, etc. Does not include bank accounts, stocks, intellectual property, warehouse receipts.

Taxable Estate–For federal estate tax purposes, the value of the decedent's gross estate minus permissible deductions plus any lifetime taxable gifts. The value of the taxable estate determines the amount against which the estate tax rate applies.

Tenancy in Common (TIC)–The shared ownership of a single property among two or more persons. The interests need not be equal, and no right of survivorship exists.

Tenants in Common–Persons who jointly own an undivided interest in property. Tenants in common do not have a survivorship right.

Testamentary Capacity–The mental ability to make a will measured by a legal test. In Iowa, the testator must have sufficient mental capacity to understand the nature of the will, the property to be disposed of, the identity of close family members, and the way they want to distribute their property.

Testamentary Documents–A document that controls how a decedent's assets will be handled at death and is operative only upon that person's death. Includes: will, trust set forth or contained in a will, and codicil.

Testamentary Formalities–The process and steps necessary to properly execute a will. State law determines what formalities must be followed and evidenced in the will.

Testamentary Freedom–A legal concept that allows an individual to direct their assets to anyone they wish after they die, and that their issue is not entitled to their estate. A spouse's entitlement to an elective share is a restriction on testamentary freedom.

Testamentary Trust–A trust that is created after death through a provision in a decedent's will or trust.

Testate Succession–Transfer of the decedent's estate, after satisfying all existing obligations, according to the manner set out in a valid and properly executed will.

Testator–A person who has validly executed a will.

Tortious Conduct–Behavior that causes harm or wrongs another and makes an individual or entity liable to be sued as a civil wrong.

Transferee–A term applicable to partnerships and LLCs, for individuals who obtain ownership in a business and therefore hold a right to the financial benefits of a business, but not the right to manage the business.

Transfer on Death (TOD)–When an asset is titled in order to allow a named beneficiary to receive the property immediately upon the original owner's death without having to utilize the probate court, but the beneficiary does not have access to the property during the original owner's life.

Trust–A specific legal vehicle that owns an asset, which is managed by a trustee for the benefit of another. A trust document details the management rights of the trustee.

Trustee–The individual or entity responsible for the control, management, and oversight of trust assets.

Trustor–One who creates the trust. Also referred to as Grantor or Settlor.

Trust Protector–A person or entity named by the trust to carry out enumerated administrative and strategic purposes generally not reserved to the trustee, settlor, or beneficiaries.

Undivided Fractional Interest–A term used to describe the right to use the entire property when two or more persons own the same property. For example, if three people have an undivided interest in 120 acres, they do not each own 40 acres. Instead, they each have a third interest in all 120 acres and can occupy the full 120 acres.

Undue Influence–When one person uses coercion or inappropriate persuasion in order to cause another person to change their estate distribution plan, which results in inequity between the beneficiaries.

Unified Credit–A federal tax credit that determines the lifetime amount that will be exempt from gift and estate taxes. The credit amount determines how much one can gift during their lifetime or pass on as part of their estate without having to pay gift tax or estate tax.

Uniform Transfer to Minors Act–A statute, adopted by almost all states, that provides a method for transferring property to minors and arranging for an adult to manage it until the child is old enough to receive it. Currently, Iowa Code Chapter 565B.

Valuation Discount–For estate tax purposes, discounts on closely-held business entity interests that account for lack of marketability, lack of control, or built-in gains tax on a corporation's appreciated assets.

Waste–A legal concept that prevents a life estate holder from destroying, misusing, altering, or neglecting the property, and requires the life tenant to preserve the property for the remaindermen.

Will–A written legal document directing the disposal of one's individually titled property after death.

Will Substitutes–A term for the various documents used to transfer assets outside of the probate court process after the death of an individual. A revocable living trust is a common will substitute.