2026 · WILL I RECEIVE A STEP-UP IN BASIS FOR THE APPRECIATED PROPERTY I INHERITED?

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Did you or your spouse gift the property you inherited to the decedent within one year before their death?

- Yes → Sorry, there is no step-up in basis for the inherited property. You will receive the decedent's adjusted basis.
- No → Did you inherit the property from your spouse?
  - Yes → Do you live in a community property state (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin)?
    - Yes → Is the property an IRA, 401(k), pension, annuity, or irrevocable trust?
      - Yes → Sorry, there is no step-up in basis for the inherited property.
      - No → Both halves receive a step-up in basis to FMV if at least half is included in your spouse's gross estate.
    - No → Is the property an IRA, 401(k), pension, annuity, or irrevocable trust?
      - Yes → Sorry, there is no step-up in basis for the inherited property.
      - No → Was the alternate valuation date selected?
        - Yes → Was the property sold before the alternate valuation date?
          - Yes → Your cost basis is based on the value on the date it was sold.
          - No → Your cost basis is based on the alternate valuation date (6 months after the date of death).
        - No → Your cost basis is based on the FMV at the date of death.
  - No → Is the property an IRA, 401(k), pension, annuity, or irrevocable trust?
    - Yes → Sorry, there is no step-up in basis for the inherited property.
    - No → Was the alternate valuation date selected?
      - Yes → Was the property sold before the alternate valuation date?
        - Yes → Your cost basis is based on the value on the date it was sold.
        - No → Your cost basis is based on the alternate valuation date (6 months after the date of death).
      - No → Your cost basis is based on the FMV at the date of death.

How was the property titled?

- Decedent sole owner → The property receives a step-up in basis to FMV based on the date selected earlier.
- JTWROS → Up to half of the value receives a step-up in basis to FMV based on the date selected earlier. Full ownership passes to you.
- Tenants in Common → 100% of the decedent's share receives a step-up in basis to FMV based on the date selected earlier. Ownership must be supported.

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Jonathan Torrens, CFP®

TCM Wealth Advisors
66 South Miller Road, Suite 202, Fairlawn, OH 44333
330-836-7000 | info@tcmwealthadvisors.com | tcmwealthadvisors.com

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