

Preparing Form 706 for Portability

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PREPARING FORM 706 FOR PORTABILITY

Course objectives: This course provides essential details on making the portability election and assists tax professionals in helping their clients understand its value in avoiding or reducing estate taxes. The course reviews the differences in completing Form 706 for portability versus for estate tax purposes. Topics addressed include: deceased spouse unused exclusion (DSUE); what's included in the gross estate; opting out of portability; qualified domestic trusts (QDOTs); a review of each schedule attached to Form 706; IRS practice pointers; qualified terminal interest property trusts (QTIPs); why file the form; and more.

After completing this course, you will be able to:

- Determine if portability can be elected if an estate tax return wasn't filed within nine months of the decedent's date of death, or within fifteen months if an extension was obtained
- Recall what is included in the decedent's gross estate
- Identify how estate tax is imposed if property passes to a QDOT
- Recall items to include on Schedule F - Other Miscellaneous Property
- Identify the qualifications that must be met for a QTIP trust
- Identify the five types of transfers reported on Schedule G

Category: Taxes

Recommended CPE Hours: CPAs – 2 Taxes
EAs – 2 Federal Tax
CRTPs – 2 Federal Tax

Level: Intermediate

Prerequisite: General knowledge of estates and trusts is required.

Advance Preparation: None

Expiration Date: November 2024

Preparing Form 706 for Portability

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Why prepare Form 706? Don’t Bother!	

While the estate tax has been a source of Federal funding almost since the U.S. was founded, it was the Revenue Act of 1916 that established an estate tax that has been part of our history ever since. Fast-forward to 2010. The estate tax expired – briefly. In December 2010, Congress passed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. The new law retroactively imposed tax legislation on all estates settled in 2010.

In 2012, the American Tax Relief Act made the estate tax a permanent part of the tax code.

As part of the 2017 Tax Cuts and Jobs Act, estate tax rules were adjusted again. The estate tax exemption was raised to \$11.2 million, a doubling of the \$5.6 million that previously existed. Married couples were able to pass as much as \$22.4 million to their heirs. As of 2023, that rate has risen to \$12.92 million per individual (and \$25.84 million for married couples). The Act is set to expire in 2025.

Exemption through the Years

2017	\$5,490,000	40%
2018	\$11,180,000	40%
2019	\$11,400,000	40%
2020	\$11,580,000	40%
2021	\$11,700,000	40%
2022	\$12,060,000	40%
2023	\$12,920,000	40%

Due to inflation, on January 1, 2024, the federal estate and gift tax exemption amount is estimated to increase to \$13,610,000, or \$27,220,000 for a married couple, meaning that each taxpayer may be able to transfer an additional \$690,000 free of transfer tax liability beginning next year. ***Without Congressional action, the exclusions are set to go back to \$5-7 Million depending on inflation in 2026 due to a “sunset” provision in the Tax Cuts and Jobs Act.***

Built into the 2017 legislation was a “savings” clause that provided an amazing benefit for those who choose to employ it. For married couples that elect to use this advantage, it can protect the unused value of the maximum exclusion of the first spouse to die prior to the sunset of the 2017 Act, to be added to and used by the surviving spouse.

The election to transfer a DSUE amount to a surviving spouse is known as the portability election.

To elect portability of the deceased spousal unused exclusion (DSUE) amount for the benefit of the surviving spouse, the estate's representative must file an estate tax return (Form 706) and the return must be filed timely regardless of the size of the gross estate or amount of adjusted taxable gifts.

Timing: While the due date of the estate tax return is nine months after the decedent's date of death, the estate's representative may request an extension of time to file the return for up to six months. An automatic six month extension of time to file the return is available to all estates, including those filing solely to elect portability, by filing Form 4768 on or before the due date of the estate tax return.

But wait...there's more...

If the estate representative did not file an estate tax return within nine months after the decedent's date of death, or within fifteen months of the decedent's date of death (if a six month extension of time for filing the estate tax return had been obtained), the availability of an extension of time to elect portability of the Deceased Spousal Unused Exclusion (DSUE) amount depends on whether the estate has a filing requirement, based on the filing threshold provided under § 6018(a).

If the filing threshold has been met, or in other words, if, independent of the portability election, the estate is required to file an estate tax return based on the total value of the gross estate and the amount of any adjusted taxable gifts, no extension of time to elect portability is available and [Revenue Procedure 2022-32](#) does not apply.

However, if, the sum of the value of the decedent's gross estate and the total amount of the decedent's adjusted taxable gifts is less than the filing threshold, [Revenue Procedure 2022-32](#) provides a simplified method for certain taxpayers to obtain an extension of time to make a “portability” election under § 2010(c)(5)(A) of the Internal Revenue Code.

The simplified method under the revenue procedure to obtain an extension of time to make the portability election requires the filing of a complete and properly prepared estate tax return on or before the fifth annual anniversary of the decedent's date of death and requires a notation on the estate tax return that the return is “**FILED PURSUANT TO REV. PROC. 2022-32 TO ELECT PORTABILITY UNDER § 2010(c)(5)(A).**” No user fee is required to use the simplified method under this revenue procedure.

For the unusual case where the exceptions afforded in this Rev. Proc. do not afford adequate time to respond or do not qualify for this relief, and do not have a filing requirement based on the filing threshold, may request an extension of time to make the portability election under § 2010(c)(5)(A) by requesting a letter ruling under the provisions of § 301.9100-3. The requirements for requesting a letter ruling are described in Revenue Procedure 2022-1 (or any successor revenue procedure).

Preparing Form 706 for Portability (Only)

FILED PURSUANT TO REV. PROC. 2022-32 TO ELECT PORTABILITY UNDER CODE SEC. 2010(C)(5)(A)

Form 706 (Rev. August 2019) Department of the Treasury Internal Revenue Service	United States Estate (and Generation-Skipping Transfer) Tax Return ▶ Estate of a citizen or resident of the United States (see instructions). To be filed for decedents dying after December 31, 2018. ▶ Go to www.irs.gov/Form706 for instructions and the latest information.	OMB No. 1545-0015		
P R O C E D U R E A N D I N S T R U C T I O N S	1 a Decedent's first name and middle initial (and maiden name, if any) PORTABILITY	1 b Decedent's last name ELECTION	2 Decedent's SSN 999-99-9999	
	3 a City, town, or post office; county; state or province; country; and ZIP or foreign postal code SANTA CLARA COUNTY, CA	3 b Year domicile estd 1966	4 Date of birth 10/01/1944	5 Date of death 7/01/2023
	6 a Name of executor (see instructions) SURVIVOR ELECTION	6 b Executor's address (number and street including apartment or suite no.; city, town, or post office; state or province; country; and ZIP or foreign postal code) and phone no. 123 EASY STREET CUPERTINO, CA 95014 Phone no.		
	6 c Executor's social security number (see instructions) 987-45-6123			
	6 d If there are multiple executors, check here <input type="checkbox"/> and attach a list showing the names, addresses, telephone numbers, and SSNs of the additional executors.			
	7 a Name and location of court where will was probated or estate administered	7 b Case number		
	8 If decedent died testate, check here. <input checked="" type="checkbox"/> and attach a certified copy of the will.	9 If you extended the time to file this Form 706, check here <input type="checkbox"/>		
	10 If Sch R-1 is att, check here <input type="checkbox"/>	11 If you are estimating the value of assets included in the gross estate on line 1 pursuant to the special rule of Reg. section 20.2010-2(a) (7)(ii), check here <input checked="" type="checkbox"/>		

Form 706 Instructions

Form 706 Estate Tax Returns must be filed by the executor of the estate of every U.S. citizen or resident who died in 2023,:

- a. Whose gross estate, plus adjusted taxable gifts and specific exemption, is more than \$12,920,000; or
- b. **Whose executor elects to transfer the deceased spousal unused exclusion (DSUE) amount to the surviving spouse, regardless of the size of the decedent's gross estate.**

To determine whether you must file a return for the estate under (a) above, add:

1. The adjusted taxable gifts (as defined in section 2503) made by the decedent after December 31, 1976;
2. The total specific exemption allowed under section 2521 (as in effect before its repeal by the Tax Reform Act of 1976) for gifts made by the decedent after September 8, 1976; and
3. The decedent's gross estate valued as of the date of death.

Gross Estate

The gross estate includes all property (such as real estate, securities, cash, artwork) in which the decedent had an interest (including property outside the United States). It also includes:

- Certain transfers made during the decedent's life without an adequate and full consideration in money or money's worth,
- Annuities,
- The includible portion of joint estates with right of survivorship,
- The includible portion of tenancies by the entirety (see Form 706 instructions for Schedule E),
- Certain life insurance proceeds (even though payable to beneficiaries other than the estate) (see Form 706 instructions for Schedule D),
- Digital assets (see Form 706 instructions for Schedule F),
- Property over which the decedent possessed a general power of appointment,
- Dower or curtesy (or statutory estate) of the surviving spouse¹, and
- Community property to the extent of the decedent's interest as defined by applicable law.

When calculating the fair market value of the decedent's estate, don't forget to include **life insurance proceeds**, even if the money goes directly to designated policy beneficiaries. Life insurance proceeds are generally free of any federal *income* tax, but the proceeds must be considered for federal *estate* tax purposes.

If the **decedent** made any sizable **gifts during his or her lifetime**, the excess over the applicable threshold for the year of the gift is added back to the estate to determine if the unified federal estate and gift tax exemption is surpassed. If it is, there's a 40% federal estate tax on the excess.

Note. Under the special rule of Regulations section 20.2010-2(a)(7)(ii), executors of estates who are not required to file Form 706 under section 6018(a), but who are *filing to elect portability of the DSUE amount to the surviving spouse*, are not required to report the value of certain property eligible for the marital deduction under section 2056 or 2056A or the charitable deduction under section 2055. However, the value of those assets must be estimated and included in the total value of the gross estate.

Portability election. An executor can only elect to transfer the DSUE amount to the surviving spouse if the Form 706 is filed timely, that is, within 9 months of the

¹ Dower and curtesy are outdated terms that refer to the rights of a spouse to property of the other spouse when they died. A dower ensured that a widow received support and a portion of her husband's property when he passed on. Curtesy granted a husband interest in his wife's property upon her death. It also prevented the husband from conveying his wife's estate to anyone else but their child(ren)

decedent's date of death or, if you have received an extension of time to file, before the 6-month extension period ends.

But wait, there's more...

Extension to elect portability. Executors who did not have a filing requirement under section 6018(a) but failed to timely file Form 706 to make the portability election may be eligible for an extension under Rev. Proc. 2022-32, 2022-30 I.R.B. 101 (superseding Rev. Proc. 2017-34, 2017-26 I.R.B. 1282). *Executors filing to elect portability may now file Form 706 on or before the fifth anniversary of the decedent's death.*

An executor wishing to elect portability under this extension must state at the top of the Form 706 being filed that the return is **“Filed Pursuant to Rev. Proc. 2022-32 to Elect Portability under section 2010(c)(5)(A).”**

You must file the first four pages of Form 706 and all required schedules. File Schedules A through I, as appropriate, to support the entries in items 1 through 9 of Part 5—Recapitulation. Make sure to complete the required pages and schedules in their entirety. Returns filed without entries in each field will not be processed.

IF . . .	THEN . . .
you enter zero on any item of the Recapitulation	you need not file the schedule (except for Schedule F) referred to on that item.
you are estimating the value of one or more assets pursuant to the special rule of Regulations section 20.2010-2(a)(7)(ii)	you must report the asset on the appropriate schedule, but you are not required to enter a value for the asset. Include the estimated value of the asset in the totals entered on <i>Part 5—Recapitulation</i> , items 10 and 23.
you claim an exclusion on item 12	complete and attach Schedule U.
you claim any deductions on items 14 through 22 of the Recapitulation	complete and attach the appropriate schedules to support the claimed deductions.
you claim credits for foreign death taxes or tax on prior transfers	complete and attach Schedule P or Q.

IF . . .	THEN . . .
there is not enough space on a schedule to list all the items	attach a Continuation Schedule (or additional sheets of the same size) to the back of the schedule (see the Continuation Schedule at the end of Form 706); photocopy the blank schedule before completing it, if you will need more than one copy.

Portability Election Specific Instructions

If you intend to elect portability of the DSUE amount, timely filing a complete Form 706 is all that is required. Complete Section B if any assets of the estate are being transferred to a qualified domestic trust and complete Section C of this Part to figure the DSUE amount that will be transferred to the surviving spouse.

Section A. Opting Out of Portability. If you are filing Form 706 and do not wish to elect portability, then check the box indicated. Do not complete Section B or C.

Form 706 (Rev. 8-2019)

Estate of:	Decedent's social security number
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Part 6—Portability of Deceased Spousal Unused Exclusion (DSUE)

Portability Election

A decedent with a surviving spouse elects portability of the DSUE amount, if any, by completing and timely filing this return. No further action is required to elect portability of the DSUE amount to allow the surviving spouse to use the decedent's DSUE amount.

Section A. Opting Out of Portability

The estate of a decedent with a surviving spouse may opt out of electing portability of the DSUE amount. Check here and do not complete Sections B and C of Part 6 only if the estate opts **NOT** to elect portability of the DSUE amount.

Section B. Qualified Domestic Trust (QDOT)

Are any assets of the estate being transferred to a QDOT?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

If "Yes," the DSUE amount portable to a surviving spouse (calculated in Section C, below) is preliminary and shall be redetermined at the time of the final distribution or other taxable event imposing estate tax under section 2056A. See instructions for more details.

Section C. DSUE Amount Portable to the Surviving Spouse (To be completed by the estate of a decedent making a portability election.)

Complete the following calculation to determine the DSUE amount that can be transferred to the surviving spouse.

1	Enter the amount from line 9d, Part 2—Tax Computation	1	
2	Reserved	2	
3	Enter the value of the cumulative lifetime gifts on which tax was paid or payable. See instructions	3	
4	Add lines 1 and 3	4	
5	Enter amount from line 10, Part 2—Tax Computation	5	
6	Divide amount on line 5 by 40% (0.40) (do not enter less than zero)	6	
7	Subtract line 6 from line 4	7	
8	Enter the amount from line 5, Part 2—Tax Computation	8	
9	Subtract line 8 from line 7 (do not enter less than zero)	9	
10	DSUE amount portable to surviving spouse (Enter lesser of line 9 or line 9a, Part 2—Tax Computation)	10	

Section B. Portability and Qualified Domestic Trusts (QDOTs).

A QDOT allows the estate of a decedent to bequeath property to a surviving spouse who is not a citizen of the United States and still receive a marital deduction. When property passes to a QDOT, estate tax is imposed under section 2056A as distributions are made from the trust. When a QDOT is established and there is a DSUE amount, the executor of the decedent's estate will determine a preliminary DSUE amount for the purpose of electing portability. This amount will decrease as section 2056A distributions are made. In estates with a QDOT, the DSUE amount generally may not be applied against tax arising from lifetime gifts because it will not be available to the surviving spouse until it is finally determined, usually upon the death of the surviving spouse or when the QDOT is terminated.

Note. If a surviving spouse who is not a citizen of the United States becomes a citizen and the section 2056A tax no longer applies to the assets of the QDOT, as of the date the surviving spouse becomes a U.S. citizen, the DSUE amount is considered

final and is available for application by the surviving spouse. See Regulations sections 20.2010-2(c)(4), 20.2010-3(c)(3), and 25.2505-2(d)(3).

Check the appropriate box in this section and see the instructions for Schedule M if more information is needed about QDOT.

Section C. DSUE Amount Portable to Decedent's Surviving Spouse. Complete Section C only if electing portability of the DSUE amount to the surviving spouse.

On line 1, enter the decedent's applicable exclusion amount from Part 2—Tax Computation, line 9d. The applicable exclusion amount is the sum of the basic exclusion amount for the year of death, any DSUE amount received from a predeceased spouse, if applicable, and any Restored Exclusion Amount.

Line 2 is reserved.

On line 3, enter the value of the cumulative lifetime gifts on which gift tax was paid or payable. This amount is figured on line 6 of the Line 7 Worksheet, Part B, as the total of Row (r) from the Line 7 Worksheet, Part A. Enter the amount as it appears on line 6 of the Line 7 Worksheet, Part B.

Figure the unused exclusion amount on line 9. The DSUE amount available to the surviving spouse will be the lesser of this amount or the basic exclusion amount shown on Part 2—Tax Computation, line 9a. Enter the DSUE amount as determined on line 10.

Section D. DSUE Amount Received From Predeceased Spouse(s). Complete Section D if the decedent was a surviving spouse who received a DSUE amount from one or more predeceased spouses.

Section D requests information on all DSUE amounts received from the decedent's last deceased spouse and any previously deceased spouses. Each line in the chart should reflect a different predeceased spouse; enter the calendar year(s) in column F. In Part 1, provide information on the decedent's last deceased spouse. In Part 2, provide information as requested if the decedent had any other predeceased spouse whose executor made the portability election. Any remaining DSUE amount which was not used prior to the death of a subsequent spouse is not considered in this calculation and cannot be applied against any taxable transfer. In column E, total only the amounts of DSUE received and used from spouses who died before the decedent's last deceased spouse. Add this amount to the amount from Part 1, column D, if any, to determine the decedent's total DSUE amount.

Section D. DSUE Amount Received From Predeceased Spouse(s) (To be completed by the estate of a deceased surviving spouse with DSUE amount from predeceased spouse(s))

Provide the following information to determine the DSUE amount received from deceased spouses.

A Name of Deceased Spouse (dates of death after December 31, 2010, only)	B Date of Death (enter as mm/dd/yy)	C Portability Election Made?		D If "Yes," DSUE Amount Received From Spouse	E DSUE Amount Applied by Decedent to Lifetime Gifts	F Year of Form 709 Reporting Use of DSUE Amount Listed in col. E	G Remaining DSUE Amount, if any (subtract col. E from col. D)
		Yes	No				
Part 1 — DSUE RECEIVED FROM LAST DECEASED SPOUSE							
		<input type="checkbox"/>	<input type="checkbox"/>				
Part 2 — DSUE RECEIVED FROM OTHER PREDECEASED SPOUSE(S) AND USED BY DECEDENT							
		<input type="checkbox"/>	<input type="checkbox"/>				
		<input type="checkbox"/>	<input type="checkbox"/>				
		<input type="checkbox"/>	<input type="checkbox"/>				
		<input type="checkbox"/>	<input type="checkbox"/>				
		<input type="checkbox"/>	<input type="checkbox"/>				
		<input type="checkbox"/>	<input type="checkbox"/>				
		<input type="checkbox"/>	<input type="checkbox"/>				
		<input type="checkbox"/>	<input type="checkbox"/>				
		<input type="checkbox"/>	<input type="checkbox"/>				
		<input type="checkbox"/>	<input type="checkbox"/>				
Total (for all DSUE amounts from predeceased spouse(s) applied)							

Add the amount from Part 1, column D, and the total from Part 2, column E. Enter the result on line 9b, Part 2—Tax Computation

Completing the Schedules when using the Simplified Method is Used

Schedule A—Real Estate

If any assets to which the special rule of Regulations section 20.2010-2(a)(7)(ii) applies are reported on this schedule, do not enter any value in the last three columns. See the instructions for Part 5—Recapitulation, item 10, for information on how to estimate and report the value of these assets.

Describe the real estate in enough detail so that the IRS can easily locate it for inspection and valuation. For each parcel of real estate, report the area and, if the parcel is improved, describe the improvements. For city or town property, report the street and number, ward, subdivision, block and lot, etc. For rural property, report the township, range, landmarks, etc.

If any item of real estate is subject to a mortgage for which the decedent's estate is liable, that is, if the indebtedness may be charged against other property of the estate that is not subject to that mortgage, or if the decedent was personally liable for that mortgage, you must report the full value of the property in the value column. Enter the amount of the mortgage under "Description" on this schedule. The unpaid amount of the mortgage may be deducted on Schedule K

Schedule B—Stocks and Bonds

If any assets to which the special rule of Regulations section 20.2010-2(a)(7)(ii) applies are reported on this schedule, do not enter any value in the last three columns.

Schedule C—Mortgages, Notes, and Cash

If any assets to which the special rule of Regulations section 20.2010-2(a)(7)(ii) applies are reported on this schedule, do not enter any value in the last three columns.

List the items on Schedule C in the following order.

1. Mortgages.
2. Promissory notes.
3. Contracts by decedent to sell land.
4. Cash in possession.
5. Cash in banks, savings and loan associations, and other types of financial organizations.

Schedule D—Insurance on the Decedent's Life

If any assets to which the special rule of Regulations section 20.2010-2(a)(7)(ii) applies are reported on this schedule, do not enter any value in the last three columns.

Schedule E—Jointly Owned Property

If any assets to which the special rule of Regulations section 20.2010-2(a)(7)(ii) applies are reported on this schedule, do not enter any value in the last three columns.

Schedule F—Other Miscellaneous Property

If any assets to which the special rule of Regulations section 20.2010-2(a)(7)(ii) applies are reported on this schedule, do not enter any value in the last three columns. See the instructions for Part 5—Recapitulation, item 10, for information on how to estimate and report the value of these assets.

Practice Pointer: Items typically included on Schedule F: all items that must be included in the gross estate that are not reported on any other schedule, including:

- Debts due the decedent (other than notes and mortgages included on Schedule C);
- Interests in business;
- Any interest in an Archer medical savings account (MSA) or health savings account (HSA), unless such interest passes to the surviving spouse;
- Insurance on the life of another (obtain and attach Form 712², for each policy);

² Note (for single premium or paid-up policies). In certain situations (for example, where the surrender value of the policy exceeds its replacement cost), the true economic value of the policy will be greater than the amount shown on Form 712, line 59. In these situations, report the full economic value of the policy on Schedule F. See Rev. Rul. 78-137, 1978-1 C.B. 280, for details.

- Section 2044 property³;
- Claims (including the value of the decedent's interest in a claim for refund of income taxes or the amount of the refund actually received);
- Rights;
- Digital assets are any digital representations of value that are recorded on a cryptographically secured distributed ledger or any similar technology. For example, digital assets include non-fungible tokens (NFTs) and virtual currencies, such as cryptocurrencies and stablecoins. If a particular asset has the characteristics of a digital asset, it will be treated as a digital asset for federal transfer tax purposes;
- Royalties;
- Leaseholds;
- Judgments;
- Reversionary or remainder interests;
- Shares in trust funds (attach a copy of the trust instrument);
- Household goods and personal effects, including wearing apparel;
- Farm products and growing crops;
- Livestock;
- Farm machinery; and
- Automobiles.

Interests. If the decedent owned any interest in a partnership or unincorporated business, attach a statement of assets and liabilities for the valuation date and for the 5 years before the valuation date. Also, attach statements of the net earnings for the same 5 years. Be sure to include the EIN of the entity. You must account for goodwill in the valuation.

All partnership interests should be reported on Schedule F unless the partnership interest is jointly owned. Jointly owned partnership interests should be reported on Schedule E.

If real estate is owned by a sole proprietorship, it should be reported on Schedule F and not on Schedule A. Describe the real estate with the same detail required for Schedule A.

Valuation discounts. If you answered “Yes” to Part 4—General Information, line 11b, for any interest in a partnership, an unincorporated business, an LLC, or stock in a closely held corporation, attach a statement that lists the item number from Schedule F and identifies the total effective discount taken (that is, XX.XX%) on such interest.

³ IRC 2044, Certain Property for Which Marital Deduction Was Previously Allowed. 2044(a)General Rule. The value of the gross estate shall include the value of any property to which this section applies in which the decedent had a qualifying income interest for life.

Example of effective discount:

a	Pro-rata value of LLC (before any discounts)	\$100.00
b	Minus: 10% discounts for lack of control	(10.00)
c	Marketable minority interest value (as if freely traded minority interest value)	\$90.00
d	Minus: 15% discount for lack of marketability	(13.50)
e	Nonmarketable minority interest value	\$76.50

Calculation of effective discount:

(a minus e) divided by a = effective discount
$(\$100.00 - \$76.50) \div \$100.00 = 23.50\%$

Collectibles

If the decedent owned at the date of death works of art or items with collectible value (for example, jewelry, furs, silverware, books, statuary, vases, oriental rugs, coin or stamp collections), check the “Yes” box on line 1 and provide full details. If any item or collection of similar items is valued at more than \$3,000, attach an appraisal by an expert under oath and the required statement regarding the appraiser's qualifications (see Regulations section 20.2031-6(b)).

Schedule G—Transfers During Decedent's Life

If any assets to which the special rule of Regulations section 20.2010-2(a)(7)(ii) applies are reported on this schedule, do not enter any value in the last three columns.

Schedule H—Powers of Appointment

If any assets to which the special rule of Regulations section 20.2010-2(a)(7)(ii) applies are reported on this schedule, do not enter any value in the last three columns.

Schedule I—Annuities

If any assets to which the special rule of Regulations section 20.2010-2(a)(7)(ii) applies are reported on this schedule, do not enter any value in the last three columns.

Schedule J—Funeral Expenses and Expenses Incurred in Administering Property Subject to Claims

Use Schedule PC to make a protective claim for refund for expenses which are not currently deductible under section 2053. For such a claim, report the expense on Schedule J but without a value in the last column.

REVIEW QUESTIONS

Under the NASBA-AICPA self-study standards, self-study sponsors are required to present review questions intermittently throughout each self-study course. Additionally, feedback must be given to the course participant in the form of answers to the review questions and the reason why answers are correct or incorrect.

To obtain the maximum benefit from this course, we recommend that you complete each of the following questions, and then compare your answers with the solutions that immediately follow. *These questions and related suggested solutions are not part of the final examination and will not be graded by the sponsor.*

1. Which of these statements is true regarding the estate tax return and electing portability?
 - a) To elect portability, the estate representative must file an estate tax return but only if the value of the estate is above the estate tax exemption amount
 - b) The estate tax return is due one year after the decedent's date of death
 - c) If the threshold for filing the estate tax return has been met, no extension of time is available to make the portability election
 - d) An automatic extension of time to file the estate tax return is accomplished by filing Form 706 with a statement as to the extension attached

2. What is included in the 2023 Form 706 instructions?
 - a) A statement that an estate tax return must be filed by the executor of the estate of every U.S. citizen or resident who died in 2023 whose gross estate plus adjusted taxable gifts exceeds \$12,950,000
 - b) Adjusted taxable gifts made after December 31, 1975, must be added to the determination of whether the return must be filed
 - c) The decedent's gross estate valued as of the filing date must be added when determining if a return must be filed
 - d) When evaluating if Form 706 must be filed, the total specific exemption allowed under IRC §2521 (as in effect prior to its repeal by the Tax Reform Act of 1976) for gifts made by the decedent after September 8, 1976, must be included in the determination

3. Which statement correctly describes issues related to portability and qualified domestic trusts (QDOTs) entered on Schedule B?
 - a) For a surviving spouse who is not a citizen of the U.S., the estate tax does not apply unless they later become a citizen
 - b) When a QDOT is established and there is a DSUE amount, the executor of the trust must determine the final DSUE amount before electing portability
 - c) There is an estate tax on any distribution before the date of death of the surviving spouse from a QDOT
 - d) In estates with a QDOT, the DSUE amount must be applied against tax resulting from lifetime gifts

4. Schedule C deals with the DSUE amount portable to the decedent's surviving spouse. Which of the following accurately reflects how the schedule is completed?
 - a) Section D must be completed if the decedent was a surviving spouse who received a DSUE amount from one or more predeceased spouses
 - b) On line 2, enter the decedent's applicable exclusion amount
 - c) On line 7, enter the value of the cumulative lifetime gifts on which the gift tax was paid
 - d) The DSUE amount that is portable to the surviving spouse is entered on line 9

5. When using the simplified method for electing portability, Schedule F refers to other miscellaneous property. What is true about completing this schedule?
 - a) Schedule F includes all items that are not reported on other schedules
 - b) If the decedent owned an interest in a partnership, this must be included on Schedule F with an attached statement of liabilities and assets for the valuation date and for two years before that date
 - c) IRC §2044 property, which is certain property for which the marital deduction was previously allowed should be reported on Schedule E, not Schedule F
 - d) Do not include household goods and personal effects on this schedule

SOLUTIONS TO REVIEW QUESTIONS

1. Which of these statements is true regarding the estate tax return and electing portability? **(Page 2)**
 - a) Incorrect. The return must be filed regardless of the value of the estate or the amount of adjusted taxable gifts.
 - b) Incorrect. It is due within nine months of the decedent's death or 15 months if an extension is requested.
 - c) Correct. This means that the election must be made within nine months of the decedent's date of death, or 15 months if an extension was requested. There is no extension beyond this.
 - d) Incorrect. The estate files Form 4768, Application for Extension of Time to File a Return, on or before the due date of the estate tax return.

2. What is included in the 2023 Form 706 instructions? **(Page 3)**
 - a) Incorrect. The 2023 threshold amount is \$12,920,000.
 - b) Incorrect. The correct date is December 31, 1976.
 - c) Incorrect. The estate is valued as of the decedent's date of death.
 - d) Correct. This is added to adjusted taxable gifts made by the decedent after December 31, 1976, and the decedent's gross estate value as of the date of death.

3. Which statement correctly describes issues related to portability and qualified domestic trusts (QDOTs) entered on Schedule B? **(Page 6)**
 - a) Incorrect. The estate tax is still imposed upon distributions made from the trust.
 - b) Incorrect. The executor determines a preliminary DSUE amount in order to elect portability. The amount goes down as distributions are made.
 - c) Correct. This is true under IRC §2056A.
 - d) Incorrect. The DSUE amount is not applied because it is not available to the surviving spouse until there is a final determination, which usually doesn't occur until the death of the surviving spouse.

4. Schedule C deals with the DSUE amount portable to the decedent's surviving spouse. Which of the following accurately reflects how the schedule is completed? **(Page 7)**
 - a) Correct. Each line in the chart in this section must reflect a different deceased spouse.
 - b) Incorrect. This is entered on line 1. Line 2 is reserved.
 - c) Incorrect. This value is entered on line 3, and computed on line 6 of the line 7 Worksheet.
 - d) Incorrect. It is entered on line 10.

5. When using the simplified method for electing portability, Schedule F refers to other miscellaneous property. What is true about completing this schedule? **(Page 9)**
- a) Correct. This schedule is for any assets to which IRC §20.2010-2(a)(7)(ii) (portability provisions) applies.
 - b) Incorrect. The statement must go back five years before the valuation date.
 - c) Incorrect. It must be reported on Schedule F.
 - d) Incorrect. These must be included on the schedule.

Schedule K—Debts of the Decedent, and Mortgages and Liens

Use Schedule PC to make a protective claim for refund for expenses which are not currently deductible under section 2053. For such a claim, report the expense on Schedule K but without a value in the last column.

Note: Income vs. estate tax deduction. Taxes, interest, and business expenses accrued at the date of the decedent's death are deductible both on Schedule K and as deductions in respect of the decedent on the income tax return of the estate.

If you choose to deduct medical expenses of the decedent only on the estate tax return, they are fully deductible as claims against the estate. If, however, they are claimed on the decedent's final income tax return under section 213(c), they may also not be claimed on the estate tax return. In this case, you may also not deduct on the estate tax return any amounts that were not deductible on the income tax return because of the percentage limitations.

Schedule L—Net Losses During Administration and Expenses Incurred in Administering Property Not Subject to Claims

Use Schedule PC to make a protective claim for refund for expenses which are not currently deductible under section 2053. For such a claim, report the expense on Schedule L but without a value in the last column.

Schedule M—Bequests, etc., to Surviving Spouse (Marital Deduction)

If any assets to which the special rule of Regulations section 20.2010-2(a)(7)(ii) applies are reported on this schedule, do not enter any value in the last three columns. See the instructions for Part 5—Recapitulation, item 23, for information on how to estimate and report the value of these assets.

Schedule O—Charitable, Public, and Similar Gifts and Bequests

If any assets to which the special rule of Regulations section 20.2010-2(a)(7)(ii) applies are reported on this schedule, do not enter any value in the last three columns. See the instructions for Part 5—Recapitulation, item 23, for information on how to estimate and report the value of these assets.

Schedule P—Credit for Foreign Death Taxes

Schedule Q—Credit for Tax on Prior Transfers

Schedule PC—Protective Claim for Refund

A protective claim for refund preserves the estate's right to a refund of tax paid on any amount included in the gross estate which would be deductible under section 2053 but has not been paid or otherwise will not meet the requirements of section 2053 until after

the limitations period for filing the claim has passed. See section 6511(a). Only use Schedule PC for section 2053 protective claims for refund being filed with Form 706

Two copies of each Schedule PC must be included with Form 706.

Total the estimated values for those assets and follow the instructions for item 10.

Under Regulations section 20.2010-2(a)(7)(ii), if the total value of the gross estate and adjusted taxable gifts is less than the basic exclusion amount (see section 6018(a)) and Form 706 is being filed only to elect portability of the DSUE amount, the estate is not required to report the value of certain property eligible for the marital or charitable deduction. For this property being reported on Schedules A, B, C, D, E, F, G, H, and I, the executor must figure the best estimate of the value. *Do not include the estimated value on the line corresponding to the schedule on which the property was reported. Instead, total the estimated value of the assets subject to the special rule and enter on item 10 the amount from the Table of Estimated Values, that corresponds to that total.*

The most simplistic returns as provided for in Rec. Proc 2022-32 do not contain the specific values of assets of the estate; they are based on an aggregation of values estimated, and using the table included in IRS instructions:

Table of Estimated Values

If the total estimated value of the assets eligible for the special rule under Reg. section 20.2010-2(a)(7)(ii) is more than:	But less than or equal to:	Include this amount on lines 10 and 23:
\$0	\$250,000	\$250,000
\$250,000	\$500,000	\$500,000
\$500,000	\$750,000	\$750,000
\$750,000	\$1,000,000	\$1,000,000
\$1,000,000	\$1,250,000	\$1,250,000
\$1,250,000	\$1,500,000	\$1,500,000
\$1,500,000	\$1,750,000	\$1,750,000
\$1,750,000	\$2,000,000	\$2,000,000
\$2,000,000	\$2,250,000	\$2,250,000
\$2,250,000	\$2,500,000	\$2,500,000
\$2,500,000	\$2,750,000	\$2,750,000
\$2,750,000	\$3,000,000	\$3,000,000
\$3,000,000	\$3,250,000	\$3,250,000
\$3,250,000	\$3,500,000	\$3,500,000
\$3,500,000	\$3,750,000	\$3,750,000
\$3,750,000	\$4,000,000	\$4,000,000
\$4,000,000	\$4,250,000	\$4,250,000

Simple Portability Election Example

In the following example, the assets of husband and wife were estimated and composed of the following categories, all considered their community property except the retirement account:

Real Estate	\$2,300,000	
Stocks & Bonds	868,000	
Cash & Notes	491,000	
Miscellaneous	178,000	
IRA		\$1,600,000

Form 706, Page3, Part 5

Part 5 – Recapitulation. Note: If estimating the value of one or more assets pursuant to the special rule of Reg. sec. 20.2010-2(a)(7)(i), enter on both lines 10 and 23 the amount noted in the instructions for the corresponding range of values. See instructions for details.

Item no.	Gross estate	Alternate value	Value at date of death
1	Schedule A – Real Estate	1	0.
2	Schedule B – Stocks and Bonds	2	0.
3	Schedule C – Mortgages, Notes, and Cash	3	0.
4	Schedule D – Insurance on the Decedent’s Life (attach Form(s) 712)	4	0.
5	Schedule E – Jointly Owned Property (attach Form(s) 712 for life insurance)	5	0.
6	Schedule F – Other Miscellaneous Property (attach Form(s) 712 for life insurance)	6	0.
7	Schedule G – Transfers During Decedent’s Life (attach Form(s) 712 for life insurance)	7	0.
8	Schedule H – Powers of Appointment	8	0.
9	Schedule I – Annuities	9	0.
10	Estimated value of assets subject to the special rule of Reg. section 20.2010-2(a)(7)(ii)	10	3,750,000.
11	Total gross estate (add items 1 through 10)	11	3,750,000.
12	Schedule U – Qualified Conservation Easement Exclusion	12	0.
13	Total gross estate less exclusion (subtract item 12 from item 11). Enter here and on line 1 of Part 2 – Tax Computation	13	3,750,000.
Item no.	Deductions		Amount
14	Schedule J – Funeral Expenses and Expenses Incurred in Administering Property Subject to Claims	14	0.
15	Schedule K – Debts of the Decedent	15	0.

Supplemental Documents – Attached to the Return

Note. You must attach the death certificate to the return.

If the decedent was a citizen or resident of the United States and died testate (leaving a valid will), attach a certified copy of the will to the return. If you cannot obtain a certified copy, attach a copy of the will and an explanation of why it is not certified. Other supplemental documents may be required, as explained later. Examples include Form 712, Life Insurance Statement; Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return; Form 706-CE, Certificate of Payment of Foreign Death Tax; trust and power of appointment instruments; and state certification of payment of death

taxes. If you do not file these documents with the return, the processing of the return will be delayed.

If the decedent died testate, a certified copy of the will. [And the trust documents if the estate is governed by them.]

Practice Pointers from IRS:

Also consider the following.

- Form 706 has 29 numbered pages.
- Number the items you list on each schedule, beginning with the number “1” each time, or using the numbering convention as indicated on the schedule (for example, Schedule M).
- Total the items listed on the schedule and its attachments, Continuation Schedules, etc.
- Enter the total of all attachments, Continuation Schedules, etc., at the bottom of the printed schedule, but do not carry the totals forward from one schedule to the next.
- Enter the total, or totals, for each schedule on page 3, Part 5—Recapitulation.
- Do not complete the “Alternate valuation date” or “Alternate value” columns of any schedule unless you elected alternate valuation on Part 3—Elections by the Executor, line 1.
- When you complete the return, staple all the required pages together in the proper order.

Discussion – the value of Applying for the DSUE:

John & Mary have been married 14 years and have two children. John took the kids fishing, fell out of the boat, got tangled in netting and now sleeps with the fishes. John’s separate property, all of which was left to Mary, was worth \$8,000,000.

In the stunning aftermath of John’s death and multiple therapy visits for the children following the incident, Mary didn’t see any reason to spend more money on tax preparation on a document filing where she didn’t owe any taxes. Life eventually returned to a new normal for her & the kids, with no one going on fishing trips.

Ten years later Mary suddenly became ill and died, leaving behind an estate worth \$10,000,000.

Let’s assume the federal estate tax exemption dropped such that it is only \$6,000,000 when Mary dies. That leaves \$4,000,000 to be taxed at whatever tax rate is applicable to taxable estates at that time. Assume \$4,000,000 @ 40%; \$1,600,000 in estate taxes could have been avoided if Mary had agreed to pay her tax accountant the additional fees to file for the Deceased Spousal Unused Exclusion amount.

By electing portability, John's estate would have locked in the unused exemption amount in the year of his death, which wouldn't be affected by the reduction in the exemption amount in 2026.

Case Study – Johan & Hilda

Johan and Hilda retired from their Bay Area California careers in chemistry and pharmaceuticals in 1995, opting to exchange their rental to one in the Portland Oregon area, and move to a small timber farm near there. They built their dream home and were pleased with their comfortable country lifestyle, until Hilda was diagnosed with Alzheimer's Disease.

As her illness progressed, they found they needed to move to a continuing care facility that could accommodate both of their separate needs without too much personal separation. That seemed to workout for them until Hilda became ill with Covid and died at the end of 2020.

Personal arrangements were made, and Johan's daughter from Nevada helped him see it was best for him to leave Oregon and move in with her.

We began preparation of the Estate tax return to memorialize Hilda's estate and discovered the Oregon's Uniform Disposition of Community Property Rights at Death Act. Oregon is not a community property state, however, the Uniform Act allows the surviving spouse of an Oregon couple to claim their interest in community property titled in the name of the deceased spouse. The Act applies to real property in Oregon that:

- The couple acquired with rent or income from community property
- The couple acquired using the proceeds from the sale or exchange of property that was community property in another state
- The couple acquired in Oregon that is traceable
- The Act treats community property, or any property traceable to community property or the proceeds of community property, much the same as it would be in a community property state.

Per the terms of their family Trust, after direct gifts of Hilda's IRA accounts to Johan, Hilda's assets were to be segregated in a Qualified Terminable Interest Trust to provide income to Johan for the balance of his life and then be distributed out to their two daughters at his death.

Hilda's Total Gross Estate was \$6,272,179. Johan determined that he did not need the value of his wife's remaining IRA, and would prefer it be made available to his daughters immediately. Working with his estate attorney, Johan proceeded to disclaim the IRA⁴. The girls each received \$201,119 from the IRA.

⁴ A disclaimer is a refusal to accept a gift or a bequest. It may sound strange to refuse a gift but a disclaimer is a useful tool for tax, asset protection and estate planning. A donee cannot "refuse" a

The Form 706 was prepared and the DSEU election was made:

Section C. DSUE Amount Portable to the Surviving Spouse (To be completed by the estate of a decedent making a portability election.)

Complete the following calculation to determine the DSUE amount that can be transferred to the surviving spouse.

1	Enter the amount from line 9d, Part 2 – Tax Computation	11,580,000.
2	Reserved	
3	Enter the value of the cumulative lifetime gifts on which tax was paid or payable. See instructions	
4	Add lines 1 and 3	11,580,000.
5	Enter amount from line 10, Part 2 – Tax Computation	
6	Divide amount on line 5 by 40% (0.40) (do not enter less than zero)	
7	Subtract line 6 from line 4	11,580,000.
8	Enter the amount from line 5, Part 2 – Tax Computation	400,183.
9	Subtract line 8 from line 7 (do not enter less than zero)	11,179,817.
10	DSUE amount portable to surviving spouse (Enter lesser of line 9 or line 9a, Part 2 – Tax Computation)	11,179,817.

Discussion

Hilda’s estate and Qualified Terminal Interest Property.

A qualified terminable interest property (QTIP) trust enables the grantor to provide for a surviving spouse and maintain control of how the trust’s assets are distributed once the surviving spouse dies.

Under the QTIP rules, a trust may qualify for the marital deduction even though the survivor’s rights to the trust are restricted and the interests are terminable upon the surviving spouse’s death. In order to qualify as a QTIP trust, the surviving spouse must receive all of the income, and there must be a distribution of that income at least once a year. No one else can be entitled to receive any of the trust property during the surviving spouse’s lifetime. At the time of the surviving spouse’s death, the trust property will pass to persons named in the trust agreement, rather than as designated by the surviving spouse. Thus, the ultimate disposition of property left in a QTIP trust is not subject to the surviving spouse’s discretion, but instead will pass only to those persons named in the trust agreement.

Following her death, the QTIP trust opened a single account at Vanguard, where income distributions were transferred to Johan on a quarterly basis. Form 1041 was prepared annually, and Johan reported the income on his personal 1040.

In October of 2022 Johan passed away. At which point the value of the QTIP assets were brought back into his estate filing.

bequest and, at the same time, direct where the bequest should go as a result. A nine-month window following date of death exists for disclaimers to be made.

Part 5 – Recapitulation. Note: If estimating the value of one or more assets pursuant to the special rule of Reg. sec. 20.2010-2(a)(7)(ii), enter on both lines 10 and 23 the amount noted in the instructions for the corresponding range of values. See instructions for details.

Item no.	Gross estate	Alternate value	Value at date of death
1	Schedule A – Real Estate.....	1	0.
2	Schedule B – Stocks and Bonds.....	2	0.
3	Schedule C – Mortgages, Notes, and Cash.....	3	0.
4	Schedule D – Insurance on the Decedent’s Life (attach Form(s) 712).....	4	0.
5	Schedule E – Jointly Owned Property (attach Form(s) 712 for life insurance).....	5	0.
6	Schedule F – Other Miscellaneous Property (attach Form(s) 712 for life insurance).....	6	392,900.
7	Schedule G – Transfers During Decedent’s Life (attach Form(s) 712 for life insurance).....	7	12,173,964.
8	Schedule H – Powers of Appointment.....	8	0.
9	Schedule I – Annuities.....	9	1,861,095.
10	Estimated value of assets subject to the special rule of Reg. section 20.2010-2(a)(7)(ii).....	10	0.
11	Total gross estate (add items 1 through 10).....	11	14,427,959.
12	Schedule U – Qualified Conservation Easement Exclusion.....	12	0.
13	Total gross estate less exclusion (subtract item 12 from item 11). Enter here and on line 1 of Part 2 – Tax Computation.....	13	14,427,959.
Item no.	Deductions	Amount	
14	Schedule J – Funeral Expenses and Expenses Incurred in Administering Property Subject to Claims.....	14	1,250.
15	Schedule K – Debts of the Decedent.....	15	161.
16	Schedule K – Mortgages and Liens.....	16	0.
17	Total of items 14 through 16.....	17	1,411.
18	Allowable amount of deductions from item 17 (see the instructions for item 18 of the Recapitulation).....	18	1,411.
19	Schedule L – Net Losses During Administration.....	19	0.
20	Schedule L – Expenses Incurred in Administering Property Not Subject to Claims.....	20	0.
21	Schedule M – Bequests, etc., to Surviving Spouse.....	21	0.
22	Schedule O – Charitable, Public, and Similar Gifts and Bequests.....	22	0.
23	Estimated value of deductible assets subject to the special rule of Reg. section 20.2010-2(a)(7)(ii).....	23	0.
24	Tentative total allowable deductions (add items 18 through 23). Enter here and on line 2 of the Tax Computation.....	24	1,411.

OMG, the total assets had grown over the two years!

Form 706, Part 6, Portability of Deceased Spousal Unused Exemption

Section D. DSUE Amount Received From Predeceased Spouse(s) (To be completed by the estate of a deceased surviving spouse with DSUE amount from predeceased spouse(s))

Provide the following information to determine the DSUE amount received from deceased spouses.

A Name of Deceased Spouse (dates of death after December 31, 2010, only)	B Date of Death (enter as mm/dd/yy)	C Portability Election Made?		D If "Yes," DSUE Amount Received From Spouse	E DSUE Amount Applied by Decedent to Lifetime Gifts	F Year of Form 709 Reporting Use of DSUE Amount Listed in col. E	G Remaining DSUE Amount, if any (subtract column E from column D)
		Yes	No				
Part 1 – DSUE RECEIVED FROM LAST DECEASED SPOUSE							
XXXXXXXXXXXX	7/16/22	X		11,179,817.			11,179,817.
Part 2 – DSUE RECEIVED FROM OTHER PREDECEASED SPOUSE(S) AND USED BY DECEDENT							
Total (for all DSUE amounts from predeceased spouse(s) applied).....							

Add the amount from Part 1, column D, and the total from Part 2, column E. Enter the result on line 9b, Part 2 – Tax Computation..... **11,179,817.**

Form 706, Part 2 Computation of Tax

PART 2 TAX COMPUTATION	1	Total gross estate less exclusion (from Part 5 – Recapitulation, item 13)	1	14,427,959.
	2	Tentative total allowable deductions (from Part 5 – Recapitulation, item 24)	2	1,411.
	3a	Tentative taxable estate (subtract line 2 from line 1)	3a	14,426,548.
	b	State death tax deduction	3b	
	c	Taxable estate (subtract line 3b from line 3a)	3c	14,426,548.
	4	Adjusted taxable gifts (see instructions)	4	0.
	5	Add lines 3c and 4	5	14,426,548.
	6	Tentative tax on the amount on line 5 from Table A in the instructions	6	5,716,419.
	7	Total gift tax paid or payable (see instructions)	7	0.
	8	Gross estate tax (subtract line 7 from line 6)	8	5,716,419.
	9a	Basic exclusion amount	9a	12,060,000.
	b	Deceased spousal unused exclusion (DSUE) amount from predeceased spouse(s), if any (from Section D, Part 6 – Portability of Deceased Spousal Unused Exclusion)	9b	11,179,817.
c	Restored exclusion amount (see instructions)	9c		
d	Applicable exclusion amount (add lines 9a, 9b, and 9c)	9d	23,239,817.	
e	Applicable credit amount (tentative tax on the amount in line 9d from Table A in the instrs)	9e	9,241,727.	
10	Adjustment to applicable credit amount (May not exceed \$6,000. See instructions.)	10		
11	Allowable applicable credit amount (subtract line 10 from line 9e)	11	9,241,727.	
12	Subtract line 11 from line 8 (but do not enter less than zero)	12	0.	

A good outcome for the family!

Tips for working with the various sections of Form 706

Part 4—General Information

Note: Please attach the necessary supplemental documents. **You must attach the death certificate.** See instructions.

Authorization to receive confidential tax information under Reg. section 601.504(b)(2)(i); to act as the estate’s representative before the IRS; and to make written or oral presentations on behalf of the estate:

Name of representative (print or type)	State	Address (number, street, and room or suite no., city, state, and ZIP code)
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I declare that I am the attorney/ certified public accountant/ enrolled agent (check the applicable box) for the executor. I am not under suspension or disbarment from practice before the Internal Revenue Service and am qualified to practice in the state shown above.

Signature	CAF number	Date	Telephone number
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1 Death certificate number and issuing authority (attach a copy of the death certificate to this return).

2 Decedent’s business or occupation. If retired, check here and state decedent’s former business or occupation.

3a Marital status of the decedent at time of death:
 Married Widow/widower Single Legally separated Divorced

3b For all prior marriages, list the name and SSN of the former spouse, the date the marriage ended, and whether the marriage ended by annulment, divorce, or death. Attach additional statements of the same size if necessary.

4a Surviving spouse’s name	4b Social security number	4c Amount received (see instructions)
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Authorization

Completing the authorization will authorize one attorney, accountant, or enrolled agent to represent the estate and receive confidential tax information but will not authorize the representative to enter into closing agreements for the estate. If you would like to

authorize your representative to enter into agreements or perform other designated acts on behalf of the estate, you must file Form 2848 with Form 706.

Note. If you intend for the representative to represent the estate before the IRS, the representative must complete and sign this authorization.

Complete and attach Form 2848 if you would like to authorize:

- Persons other than attorneys, accountants, or enrolled agents to represent the estate;
- More than one person to receive confidential information or represent the estate; or
- Someone to sign agreements, consents, waivers, or other documents for the estate.

Filing a completed Form 2848 with this return may expedite processing of the Form 706.

- If you wish only to authorize someone to inspect and/or receive confidential tax information (but not to represent you before the IRS), complete and file Form 8821.

Don't leave Part 4 blank...

An overview of additional sections

Form 706 (Rev. 8-2019)

Estate of:	Decedent's social security number
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SCHEDULE A—Real Estate

- For jointly owned property that must be disclosed on Schedule E, see instructions.
- Real estate that is part of a sole proprietorship should be shown on Schedule F.
- Real estate that is included in the gross estate under sections 2035, 2036, 2037, or 2038 should be shown on Schedule G.
- Real estate that is included in the gross estate under section 2041 should be shown on Schedule H.
- If you elect section 2032A valuation, you must complete Schedule A and Schedule A-1.

Note: If the value of the gross estate, together with the amount of adjusted taxable gifts, is less than the basic exclusion amount and Form 706 is being filed solely to elect portability of the DSUE amount, consideration should be given as to whether you are required to report the value of assets eligible for the marital or charitable deduction on this schedule. See the instructions for more information. If you are not required to report the value of an asset, identify the property but make no entries in the last three columns.

Item number	Description	Alternate valuation date	Alternate value	Value at date of death
1				

Read the fine print...

Form 706 (Rev. 8-2019)

Estate of:	Decedent's social security number
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SCHEDULE B—Stocks and Bonds

(For jointly owned property that must be disclosed on Schedule E, see instructions.)

Note: If the value of the gross estate, together with the amount of adjusted taxable gifts, is less than the basic exclusion amount and Form 706 is being filed solely to elect portability of the DSUE amount, consideration should be given as to whether you are required to report the value of assets eligible for the marital or charitable deduction on this schedule. See the instructions for more information. If you are not required to report the value of an asset, identify the property but make no entries in the last four columns.

Item number	Description, including face amount of bonds or number of shares and par value for identification. Give CUSIP number. If trust, partnership, or closely held entity, give EIN.	Unit value	Alternate valuation date	Alternate value	Value at date of death
1	CUSIP number or EIN, where applicable				

Special items for Schedule B:

- Group and denote any stocks or bonds subject to foreign death taxes;
- Be sure to include even tax-exempt securities;
- Treat interest and dividends separately from the securities to which they relate;
- If the stocks are publicly traded, valuation is based on selling price;
- If the securities are not publicly traded, special rules apply including potential minority discounts and the effect of buy-sell agreements.

Form 706 (Rev. 8-2019)

Estate of:	Decedent's social security number
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SCHEDULE C—Mortgages, Notes, and Cash

(For jointly owned property that must be disclosed on Schedule E, see instructions.)

Note: If the value of the gross estate, together with the amount of adjusted taxable gifts, is less than the basic exclusion amount and Form 706 is being filed solely to elect portability of the DSUE amount, consideration should be given as to whether you are required to report the value of assets eligible for the marital or charitable deduction on this schedule. See the instructions for more information. If you are not required to report the value of an asset, identify the property but make no entries in the last three columns.

Item number	Description	Alternate valuation date	Alternate value	Value at date of death
1				

Schedule C is used to report cash and all items owed to the decedent at the time of death. Mortgages and notes are valued based on their unpaid principal plus accrued interest unless special circumstances (e.g., below-market interest rate or insolvency of the debtor) permit a lower valuation.

Mortgages and notes payable to the decedent at the time of death, and Cash the decedent had at the date of death.

Schedule C reporting order. List the items on Schedule C in the following order.

1. Mortgages.
2. Promissory notes.
3. Contracts by decedent to sell land.
4. Cash in possession.
5. Cash in banks, savings and loan associations, and other types of financial organizations.

Form 706 (Rev. 8-2019)

Estate of:	Decedent's social security number
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SCHEDULE D—Insurance on the Decedent's Life

You must list all policies on the life of the decedent and attach a Form 712 for each policy.

Note: If the value of the gross estate, together with the amount of adjusted taxable gifts, is less than the basic exclusion amount and Form 706 is being filed solely to elect portability of the DSUE amount, consideration should be given as to whether you are required to report the value of assets eligible for the marital or charitable deduction on this schedule. See the instructions for more information. If you are not required to report the value of an asset, identify the property but make no entries in the last three columns.

Item number	Description	Alternate valuation date	Alternate value	Value at date of death
1				

All insurance on decedent's life whether or not includible in the gross estate is listed on the Schedule D. This includes insurance receivable:

1. By or for the benefit of the estate, and
2. By beneficiaries other than the estate from a policy in which *the decedent possessed incidents of ownership*.

Incidents of ownership include (i) the right of the insured or his or her estate to economic benefits, (ii) the power to change beneficiaries, (iii) the power to assign the policy, (iv) the power to borrow on the policy, or (v) a reversionary interest of more than 5% of the policy's value. Include the name of each insurance company, the number of the policy and attach Form 712.

Form 706 (Rev. 8-2019)

Estate of:	Decedent's social security number
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SCHEDULE E—Jointly Owned Property

(If you elect section 2032A valuation, you must complete Schedule E and Schedule A-1.)

PART 1. Qualified Joint Interests—Interests Held by the Decedent and His or Her Spouse as the Only Joint Tenants (Section 2040(b)(2))

Note: If the value of the gross estate, together with the amount of adjusted taxable gifts, is less than the basic exclusion amount and Form 706 is being filed solely to elect portability of the DSUE amount, consideration should be given as to whether you are required to report the value of assets eligible for the marital or charitable deduction on this schedule. See the instructions for more information. If you are not required to report the value of an asset, identify the property but make no entries in the last three columns.

Item number	Description. For securities, give CUSIP number. If trust, partnership, or closely held entity, give EIN.	CUSIP number or EIN, where applicable	Alternate valuation date	Alternate value	Value at date of death
1					
Total from continuation schedules (or additional statements) attached to this schedule					
1a	Totals		1a		
b	Amounts included in gross estate (one-half of line 1a)		1b		

PART 2. All Other Joint Interests

2a State the name and address of each surviving co-tenant. If there are more than three surviving co-tenants, list the additional co-tenants on an attached statement.

Name	Address (number and street, city, state, and ZIP code)

In Part 1, report qualified jointly owned interests owned with his or her spouse as tenants by the entirety or as joint tenants.

In Part 2, report interests owned with other tenants. The full value of all property must be included unless there is proof that the other tenant furnished some or all the consideration.

There are some joint interests that are **not reported on Schedule E**, for example:

1. Tenancy in common (Schedule A);
2. Community property (Schedules A through I); and
3. Partnership interests unless the interest itself is held jointly (Schedule F).

Form 706 (Rev. 8-2019)

Estate of:	Decedent's social security number
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SCHEDULE F—Other Miscellaneous Property Not Reportable Under Any Other Schedule

(For jointly owned property that must be disclosed on Schedule E, see instructions.)
 (If you elect section 2032A valuation, you must complete Schedule F and Schedule A-1.)

Note: If the value of the gross estate, together with the amount of adjusted taxable gifts, is less than the basic exclusion amount and Form 706 is being filed solely to elect portability of the DSUE amount, consideration should be given as to whether you are required to report the value of assets eligible for the marital or charitable deduction on this schedule. See the instructions for more information. If you are not required to report the value of an asset, identify the property but make no entries in the last three columns.

1 Did the decedent own any works of art, items, or any collections whose artistic or collectible value at date of death exceeded \$3,000?	Yes	No
If "Yes," submit full details on this schedule and attach appraisals.		
2 Has the decedent's estate, spouse, or any other person received (or will receive) any bonus or award as a result of the decedent's employment or death?		
If "Yes," submit full details on this schedule.		
3 Did the decedent at the time of death have, or have access to, a safe deposit box?		
If "Yes," state location, and if held jointly by decedent and another, state name and relationship of joint depositor.		
If any of the contents of the safe deposit box are omitted from the schedules in this return, explain fully why omitted.		

Item number	Description. For securities, give CUSIP number. If trust, partnership, or closely held entity, give EIN	Alternate valuation date	Alternate value	Value at date of death
1	CUSIP number or EIN, where applicable			

Note the questions at the top of this form. If an item of art, jewelry or collectibles insist they get an appraisal if they believe the value is in excess of \$3,000.

A safe deposit box? Did it only contain *family photos, sentimental keepsakes, property title documents, military discharge papers and other papers of no ascertainable value?*

This is the catchall schedule and includes:

1. Unincorporated business and partnership interests;
2. Insurance on the life of another
3. QTIP property in the estate of the surviving spouse,
4. Household goods and personal effects,
5. Claims (e.g., refunds of federal and state income tax),
6. Rights, royalties, leaseholds, judgments, autos, and shares in a trust,
7. Reversionary or remainder interests, and
8. Farm products and growing crops, livestock and farm equipment.

Estate of:	Decedent's social security number
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SCHEDULE G—Transfers During Decedent's Life

(If you elect section 2032A valuation, you must complete Schedule G and Schedule A-1.)

Note: If the value of the gross estate, together with the amount of adjusted taxable gifts, is less than the basic exclusion amount and Form 706 is being filed solely to elect portability of the DSUE amount, consideration should be given as to whether you are required to report the value of assets eligible for the marital or charitable deduction on this schedule. See the instructions for more information. If you are not required to report the value of an asset, identify the property but make no entries in the last three columns.

Item number	Description. For securities, give CUSIP number. If trust, partnership, or closely held entity, give EIN	Alternate valuation date	Alternate value	Value at date of death
A.	Gift tax paid or payable by the decedent or the estate for all gifts made by the decedent or his or her spouse within 3 years before the decedent's death (section 2035(b))	X X X X X		
B.	Transfers includible under sections 2035(a), 2036, 2037, or 2038:			
1				

There are five types of transfers reported on the Schedule G:

1. Gift tax paid on transfers within 3 years of death by the decedent or his or her spouse,
2. Transfers within three years of death under §2035(a);
3. Transfers with a retained life estate under §2036;
4. Transfers taking effect at death under §2037; and
5. Revocable transfers under §2038.

IF . . .	AND . . .	THEN . . .
the decedent made a transfer from a trust	at the time of the transfer, the transfer was from a portion of the trust that was owned by the grantor under section 676 (other than by reason of section 672(e)) by reason of a power in the grantor	for purposes of sections 2035 and 2038, treat the transfer as made directly by the decedent. Any such transfer within the annual gift tax exclusion is not includible in the gross estate.

SCHEDULE H—Powers of Appointment

(Include "5 and 5 lapsing" powers (section 2041(b)(2)) held by the decedent.)
 (If you elect section 2032A valuation, you must complete Schedule H and Schedule A-1.)

Note: If the value of the gross estate, together with the amount of adjusted taxable gifts, is less than the basic exclusion amount and Form 706 is being filed solely to elect portability of the DSUE amount, consideration should be given as to whether you are required to report the value of assets eligible for the marital or charitable deduction on this schedule. See the instructions for more information. If you are not required to report the value of an asset, identify the property but make no entries in the last three columns.

Item number	Description	Alternate valuation date	Alternate value	Value at date of death
1				

A power of appointment determines who will own or enjoy the property subject to the power and when they will own or enjoy it. The power must be created by someone other than the decedent. It does not include a power created or held on property transferred by the decedent.

A power of appointment includes all powers which are, in substance and effect, powers of appointment regardless of how they are identified and regardless of local property laws. For example, if a settlor transfers property in trust for the life of the settlor's spouse, with a power in the spouse to appropriate or consume the principal of the trust, the spouse has a power of appointment.

Some powers do not in themselves constitute a power of appointment. For example, a power to amend only administrative provisions of a trust that cannot substantially affect the beneficial enjoyment of the trust property or income is not a power of appointment. A power to manage, invest, or control assets, or to allocate receipts and disbursements, when exercised only in a fiduciary capacity, is not a power of appointment.

Form 706 (Rev. 8-2019)

Estate of:	Decedent's social security number
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SCHEDULE I—Annuities

Note: Generally, no exclusion is allowed for the estates of decedents dying after December 31, 1984. See instructions.

Note: If the value of the gross estate, together with the amount of adjusted taxable gifts, is less than the basic exclusion amount and Form 706 is being filed solely to elect portability of the DSUE amount, consideration should be given as to whether you are required to report the value of assets eligible for the marital or charitable deduction on this schedule. See the instructions for more information. If you are not required to report the value of an asset, identify the property but make no entries in the last three columns.

A Are you excluding from the decedent's gross estate the value of a lump-sum distribution described in section 2039(f)(2) (as in effect before its repeal by the Deficit Reduction Act of 1984)?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

 If "Yes," you must attach the information required by the instructions.

Item number	Description. Show the entire value of the annuity before any exclusions	Alternate valuation date	Includible alternate value	Includible value at date of death
1				

Don't make the mistake of assuming this refers only to insurance annuities...

These rules apply to all types of annuities, including pension plans, individual retirement arrangements (IRAs), purchased commercial annuities, and private annuities.

In general, you must include in the gross estate all or part of the value of any annuity that meets the following requirements.

- It is receivable by a beneficiary following the death of the decedent and by reason of surviving the decedent.
- The annuity is under a contract or agreement entered into after March 3, 1931.
- The annuity was payable to the decedent (or the decedent possessed the right to receive the annuity) either alone or in conjunction with another, for the decedent's life or for any period not ascertainable without reference to the decedent's death or for any period that did not in fact end before the decedent's death.
- The contract or agreement is not a policy of insurance on the life of the decedent.

Form 706 (Rev. 8-2019)

Estate of:	Decedent's social security number
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SCHEDULE J—Funeral Expenses and Expenses Incurred in Administering Property Subject to Claims

▶ Use Schedule PC to make a protective claim for refund due to an expense not currently deductible.
For such a claim, report the expense on Schedule J but without a value in the last column.

Note: Do not list expenses of administering property not subject to claims on this schedule. To report those expenses, see instructions.

If executors' commissions, attorney fees, etc., are claimed and allowed as a deduction for estate tax purposes, they are not allowable as a deduction in computing the taxable income of the estate for federal income tax purposes. They are allowable as an income tax deduction on Form 1041, U.S. Income Tax Return for Estates and Trusts, if a waiver is filed to forgo the deduction on Form 706. See the Instructions for Form 1041.

Are you aware of any actual or potential reimbursement to the estate for any expense claimed as a deduction on this schedule?	Yes	No
If "Yes," attach a statement describing the expense(s) subject to potential reimbursement. See instructions.		

Item number	Description	Expense amount	Total amount
A. Funeral expenses:			
1			
Total funeral expenses ▶			

B. Administration expenses:			
	1 Executors' commissions—amount estimated/agreed upon/paid. (Strike out the words that do not apply.)		
	2 Attorney fees—amount estimated/agreed upon/paid. (Strike out the words that do not apply.)		
	3 Accountant fees—amount estimated/agreed upon/paid. (Strike out the words that do not apply.)		
	4 Miscellaneous expenses:	Expense amount	

On Schedule J, itemize funeral expenses and expenses incurred in administering property subject to claims. List the names and addresses of persons to whom the expenses are payable and describe the nature of the expense.

Do not list expenses incurred in administering property not subject to claims on this schedule. List them on Schedule L instead.

Unlike certain claims against the estate for debts of the decedent, you cannot deduct expenses incurred in administering property subject to claims on both the estate tax return and the estate's income tax return. If you choose to deduct them on the estate tax return, you cannot deduct them on a Form 1041, U.S. Income Tax Return for Estates and Trusts, filed for the estate. Funeral expenses are only deductible on the estate tax return.

Funeral expenses. Itemize funeral expenses on line A. Deduct from the expenses any amounts that were reimbursed, such as death benefits payable by the SSA or the Veterans Administration.

Executors' commissions. When you file the return, you may deduct commissions that have actually been paid to you or that you expect will be paid. Do not deduct commissions if none will be collected. If the amount of the commissions has not been fixed by decree of the proper court, the deduction will be allowed on the final examination of the return, provided that:

- The Chief, Estate and Gift/Excise Tax Examination, is reasonably satisfied that the commissions claimed will be paid;
- The amount entered as a deduction is within the amount allowable by the laws of the jurisdiction where the estate is being administered; and
- It is in accordance with the usually accepted practice in that jurisdiction for estates of similar size and character.

If you have not been paid the commissions claimed at the time of the final examination of the return, you must support the amount you deducted with an affidavit or statement signed under the penalties of perjury that the amount has been agreed upon and will be paid.

You may not deduct a bequest or devise made to you instead of commissions. If, however, the decedent fixed by will the compensation payable to you for services to be rendered in the administration of the estate, you may deduct this amount to the extent it is not more than the compensation allowable by the local law or practice.

Do not deduct on this schedule amounts paid as trustees' commissions whether received by you acting in the capacity of a trustee or by a separate trustee. If such amounts were paid in administering property not subject to claims, deduct them on Schedule L.

Note. Executors' commissions are taxable income to the executors. Therefore, be sure to include them as income on your individual income tax return.

Attorney fees. Enter the amount of attorney fees that have actually been paid or that you reasonably expect to be paid. If, on the final examination of the return, the fees claimed have not been awarded by the proper court and paid, the deduction will be allowed, provided the Chief, Estate and Gift/ Excise Tax Examination, is reasonably satisfied that the amount claimed will be paid and that it does not exceed a reasonable payment for the services performed, taking into account the size and character of the estate and the local law and practice. If the fees claimed have not been paid at the time of final examination of the return, the amount deducted must be supported by an affidavit, or statement signed under penalties of perjury, by the executor or the attorney stating that the amount has been agreed upon and will be paid.

Do not deduct attorney fees incidental to litigation incurred by the beneficiaries. These expenses are charged against the beneficiaries personally and are not administration expenses authorized by the Code.

Interest expense. Interest expenses incurred after the decedent's death are generally allowed as a deduction if they are reasonable, necessary to the administration of the estate, and allowable under local law.

Interest incurred as the result of a federal estate tax deficiency is a deductible administrative expense. Penalties on estate tax deficiencies are not deductible even if they are allowable under local law.

Note. If you elect to pay the tax in installments under section 6166, you may not deduct the interest payable on the installments.

Miscellaneous expenses. Miscellaneous administration expenses necessarily incurred in preserving and distributing the estate are deductible. These expenses include appraiser's and accountant's fees, certain court costs, and costs of storing or maintaining assets of the estate.

The expenses of selling assets are deductible only if the sale is necessary to pay the decedent's debts, the expenses of administration, or taxes, or to preserve the estate or carryout distribution.

The timely filing of a complete Form 706 with DSUE will be deemed a portability election if there is a surviving spouse. The election is effective as of the decedent's date of death, so the DSUE amount received by a surviving spouse may be applied to any transfer occurring after the decedent's death. A portability election is irrevocable, unless an adjustment or amendment to the election is made on a subsequent return filed on or before the due date.

Perspectives on Portability

Why prepare Form 706?

#1 Memorialize the valuations of estate property

#2 Deceased Spouse Unused Exemption Amount. The election can preserve the basic exclusion amount of the first spouse to die when that would otherwise be wasted when all assets pass to the surviving spouse qualifying for the marital deduction.

#3 It can't hurt. We just have no way of knowing what Congress will or won't do in the next few years.

#4 In the event all assets are left to the surviving spouse and a portability election is made, there is a double basis step up: half the value of the assets on the death of the first spouse and all the assets on the death of the second.

#5 Ordinarily, an estate tax return is due within nine months after death (15 months with an extension), but a return solely for purposes of making a portability election can usually be filed up to five years after death.

Don't Bother!

#1 Why would I want to spend more money on having someone prepare another tax return? Besides, Even with simplified valuation rules for marital and charitable deduction assets, preparing the Form 706 requires time and expense. If there are assets ineligible for simplified valuation, the costs could increase significantly.

#2 The trend line suggests estate taxes only hit the extremely wealthy. That's not me.

#3 Appreciation in value of assets is subject to taxation at the later death. Portability does not provide the asset protection and estate freezing features that a properly funded bypass trust can.

#4 The "forever audit" rule for the estate of the deceased spouse means their Form 706 must be carefully prepared and all substantiating documentation be retained and accessible indefinitely. Failure to do so can result in loss of the DSUE.

#5 The continued use of credit shelter trusts may be desirable for several reasons, such as asset protection; removing future appreciation from the surviving spouse's estate; concern about second marriages.

Another consideration: This "last deceased spouse rule": If the surviving spouse remarries and their new spouse predeceases them, they will have lost the DSUE of the first spouse because the DSUE is limited to that of the last deceased spouse.

REVIEW QUESTIONS

Under the NASBA-AICPA self-study standards, self-study sponsors are required to present review questions intermittently throughout each self-study course. Additionally, feedback must be given to the course participant in the form of answers to the review questions and the reason why answers are correct or incorrect.

To obtain the maximum benefit from this course, we recommend that you complete each of the following questions, and then compare your answers with the solutions that immediately follow. *These questions and related suggested solutions are not part of the final examination and will not be graded by the sponsor.*

6. When dealing with the income tax deduction versus the estate tax deduction, which of the following applies?
 - a) Taxes, interest, and business expenses accrued as of the date of the decedent's death are only deductible only on Schedule K
 - b) Taxes, interest, and business expenses accrued as of the date of the decedent's death are only deductible on the estate tax return
 - c) If medical expenses of the decedent are claimed only on the estate tax return, they are fully deductible against the state
 - d) For medical expenses, any amounts that are not deductible on the income tax return may be deducted on the estate tax return
7. Which statement is true regarding how property value should be reported if Form 706 is filed only to elect portability?
 - a) The estate must report the value of property eligible for the marital or charitable deduction
 - b) For the simplified method when electing portability, values are estimated and aggregated
 - c) For property reported on Schedules A through I, the executor must determine the final value
 - d) The estimated value must be entered on the line corresponding to the schedule where the property is reported
8. Schedule A of Form 706 applies to real estate. Which statement is correct regarding this schedule and its directives?
 - a) Real estate that is part of a sole proprietorship should be shown on Schedule E
 - b) Real estate that is included in the gross estate should be shown on Schedule F
 - c) Real estate that is included in the gross estate under IRC §2041 should be shown on Schedule G
 - d) If the taxpayer elects IRC §2032A valuation, Schedules A and A-1 must be completed

9. There are five types of transfers that are reported on Schedule G - Transfers During Decedent's Life. Which of these choices correctly refers to what constitutes these transfers?
- a) Gift tax paid on transfers within five years of death by the decedent or their spouse
 - b) Transfers within five years of death under IRC §2035(a)
 - c) Transfers with a retained life estate under IRC §2036
 - d) Irrevocable transfers under IRC §2038
10. Schedule J is for funeral expenses and expenses incurred when administering property subject to claims. How is this schedule completed?
- a) Funeral expenses may be deducted on Form 706 or Form 1041
 - b) Deduct attorney fees that are incidental to litigation incurred by any beneficiary
 - c) Interest expenses incurred after the decedent's death are not deductible
 - d) Miscellaneous expenses incurred in administering the estate are deductible

SOLUTIONS TO REVIEW QUESTIONS

6. When dealing with the income tax deduction versus the estate tax deduction, which of the following applies? **(Page 12)**
- a) Incorrect. They are deductible on both Schedule K and as deductions in respect of the decedent on the estate income tax return.
 - b) Incorrect. They are deductible on both the estate tax return and on Schedule K.
 - c) Correct. They may not be claimed on the estate tax return if they were claimed on the decedent's final income tax return.
 - d) Incorrect. They may not be deducted on the estate tax return.
7. Which statement is true regarding how property value should be reported if Form 706 is filed only to elect portability? **(Page 13)**
- a) Incorrect. These values are not reported for this purpose.
 - b) Correct. The IRS Table of Estimated Values is used after determining the total estimated value of the assets eligible for the special rule under Treas. Regs. §20.2010-2.
 - c) Incorrect. Only estimated values are used.
 - d) Incorrect. The estimated value should not be entered on each line in relation to the schedule, but the total estimated value of the assets based on their aggregation is used, employing the IRS's Table of Estimated Values.
8. Schedule A of Form 706 applies to real estate. Which statement is correct regarding this schedule and its directives? **(Page 20)**
- a) Incorrect. This property is shown on Schedule F.
 - b) Incorrect. Properties under IRC §§2035, 2036, 2037, or 2038 are shown on Schedule G.
 - c) Incorrect. This property is shown on Schedule H.
 - d) Correct - IRC §2032A valuation refers to farms.
9. There are five types of transfers that are reported on Schedule G - Transfers During Decedent's Life. Which of these choices correctly refers to what constitutes these transfers? **(Page 25)**
- a) Incorrect. The transfers must be made within three years of death.
 - b) Incorrect. For purposes of Schedule G, transfers must be within three years of death.
 - c) Correct. With these transfers, the decedent retained for their life the possession or enjoyment of the right on income from the property, or the right, alone or in conjunction with another person, to designate the person who shall possess or enjoy the property or income.
 - d) Incorrect. Transfers under this section that are reportable are revocable transfers.

10. Schedule J is for funeral expenses and expenses incurred when administering property subject to claims. How is this schedule completed? **(Page 29)**
- a) Incorrect. They are only deductible on Form 706.
 - b) Incorrect. These fees would be charged against the beneficiary.
 - c) Incorrect. They are deductible if they are reasonable and necessary in administering the estate.
 - d) Correct. This includes appraisers' fees, accountants' fees, certain court costs, and costs of storing or maintaining assets of the estate.

GLOSSARY

Annuity: an investment product sold by a financial institution, typically an insurance company, whereby funds provided by an individual are contractually provided to the insurance company, and then the money is paid back to the individual in incremental amounts over a future time period that is predetermined by the insured. Annuity contracts are designed to provide a guaranteed stream of future income and are generally considered to be a low-risk investment

Archer MSA: a savings account that earns tax deductible interest for medical expenses. These accounts function like individual retirement accounts where an employer or employee contribute to the Archer MSA, the contributions earn interest that may be tax-deferred or tax-free, and withdrawals for medical purposes are tax-free

Cryptocurrency: a form of digital currency designed to work as a medium of exchange. Uses cryptography to secure its transactions, control the creation of additional units, and to verify asset transfer. Also uses decentralized control outside of central banking systems

Deceased spouse unused exclusion (DSUE): the amount of the first deceased spouse's unused estate tax exclusion that is used to compute the exclusion amount for the surviving spouse who has elected portability

Estate: the assets and liabilities left by a person at death

Executor: the person appointed by a testator to execute a will

Income in respect of a decedent (IRD): taxable income which a deceased person was entitled to but did not receive prior to their death

Last deceased spouse rule: if the surviving spouse remarries and their new spouse predeceased them, they will have lost the DSUE of the first spouse because the DSUE is limited to that of the last deceased spouse

Nonfungible token (NFT): cryptographic assets on the blockchain with unique codes for identification that distinguish them from each other. They cannot be exchanged or traded like cryptocurrencies

Power of appointment: determines who will own or enjoy property subject to the power and when they will own or enjoy it

Portability: allows the deceased spouse's unused exclusion amount ((DSUE) to be transferred to the surviving spouse

Qualified domestic trust (QDOT): a trust that enables a non-U.S. citizen spouse to qualify for the unlimited marital deduction

Qualified terminable interest property trust (QTIP): a type of trust that takes advantage of the unlimited marital deduction while still controlling the distribution of assets after the death of the surviving spouse. The surviving spouse must be a U.S. citizen at the time the estate tax return is filed

Tenancy-in-common (TIC): shared ownership of property by two or more persons in which each individual owns a share that may be unequal in size to shares owned by other tenants-in-common (or cotenants), unlike joint tenancy. All owners have the right to occupy and use all of the property. The shares may be transferred to other owners during life or through a will

Testate: leaving a valid will

Trust: a fiduciary relationship with respect to specific property to which the trustee holds legal title for the benefit of beneficiaries, who hold equitable title

Valuation discount: a reduced value that is estimated for a company when compared to its peers. When a transferred asset reflects a minority interest in a business, a reduced value is allowable (minority discount)

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PREPARING FORM 706 FOR PORTABILITY

Course description and study guide

Course objectives: This course provides essential details on making the portability election and assists tax professionals in helping their clients understand its value in avoiding or reducing estate taxes. The course reviews the differences in completing Form 706 for portability versus for estate tax purposes. Topics addressed include: deceased spouse unused exclusion (DSUE); what's included in the gross estate; opting out of portability; qualified domestic trusts (QDOTs); a review of each schedule attached to Form 706; IRS practice pointers; qualified terminal interest property trusts (QTIPs); why file the form; and more.

Completion deadline and exam: This course, including the examination, must be completed within one year of the date of purchase. In addition, unless otherwise indicated, no correct or incorrect feedback for any exam question will be provided.

Category: Taxes

Recommended CPE Hours: CPAs – 2 Taxes
EAs – 2 Federal Tax
CRTPs – 2 Federal Tax

Level: Intermediate

Prerequisite: General knowledge of estates and trusts is required.

Advance Preparation: None

Course qualification: Qualifies for QAS and NASBA Registry CPE credit based on a 50-minute per CPE hour measurement

CPE sponsor information: Spidell Publishing, LLC® (Registry ID: 104931)

Expiration Date: November 2024*

*Exam must be completed within one year of the date of purchase

Learning assignment and objectives

As a result of studying the assigned materials, you should be able to meet the objectives listed below.

Assignment:

At the start of the materials, participants should identify the following topics for study:

- Exemption through the Years
- DSUE Amount portability election
- Form 706 Instructions
- Gross Estate
- Extension to elect portability
- Portability Election Specific Instructions

Learning Objectives:

After completing this course, you will be able to:

- Determine if portability can be elected if an estate tax return wasn't filed within nine months of the decedent's date of death, or within fifteen months if an extension was obtained
- Recall what is included in the decedent's gross estate
- Identify how estate tax is imposed if property passes to a QDOT
- Recall items to include on Schedule F - Other Miscellaneous Property
- Identify the qualifications that must be met for a QTIP trust
- Identify the five types of transfers reported on Schedule G

After studying the materials, please answer exam questions 1-10.

Course Evaluation for Spidell Publishing, LLC®

Program title: **Preparing Form 706 for Portability**

If applicable, program instructor: _____

Program date: _____ Participant name (optional): _____

Instructions: Please comment on all of the following evaluation points for this program and assign a number grade, using a 1-5 scale, with 5 as the highest rating.

1. Were the stated learning objectives met? _____
2. If applicable, were prerequisite requirements appropriate and sufficient? _____
3. Were the program materials accurate? _____
4. Were program materials relevant, and did they contribute to the achievement of the learning objectives? _____
5. Was the time allotted to the learning activity appropriate? _____
6. If applicable, were the individual instructors knowledgeable and effective? _____
7. Were the facilities and/or technological equipment appropriate? _____
8. Were the handouts and/or advanced preparation materials satisfactory? _____
9. Were the audio and visual materials effective? _____
10. Additional comments:

IRS Course Number (if applicable): CRA7E-T-00669-23-S

TTP (CTEC) Course Number (if applicable): 1019-CE-1285

Date course completed: _____

Number of hours it took to complete the course: _____

PLEASE: Place the correct response for each question on the attached answer sheet and retain this examination for your records. If you purchased the online version, or would like to complete your exam online, please log-in to your SpidellCPE online account to submit your answers to the exam. 70% or more (7 of 10) correct responses are necessary to receive credit for this course. This course must be completed within one year of the date of purchase.

Final Exam Questions

1. What is true about the simplified method for obtaining an extension of time to make a portability election provided in Revenue Procedure 2022-32?
 - a) Under this method, the filing of Form 706 is not required
 - b) A Form 706 must be filed on or before the fifth annual anniversary of the decedent's date of death
 - c) A small user fee must accompany the filing of Form 706 to elect portability
 - d) This method calls for requesting an extension of time by requesting a letter ruling
2. All of the following are included in the decedent's gross estate except:
 - a) Life insurance proceeds except when payable to a beneficiary other than the estate
 - b) Digital assets
 - c) Artwork
 - d) Annuities
3. When electing portability, which choice applies?
 - a) Executors wanting to elect portability must specifically state at the bottom of the first page, "Filed pursuant to Rev. Proc. 2022-32 to Elect Portability under Section 2010(c)(5)(A)"
 - b) The first five pages of Form 706 must be filed with all required schedules
 - c) The IRS won't process returns filed without entries in each required field
 - d) All schedules must be filed even if a zero is entered on any item of the Recapitulation
4. When using the simplified method for electing portability, certain schedules must be completed. Which of these schedules is incorrectly identified?
 - a) Schedule A – Real Estate
 - b) Schedule B – Insurance on the Decedent's Life
 - c) Schedule E – Jointly Owned Property
 - d) Schedule F – Other Miscellaneous Property
5. Items on Schedule C – Mortgages, Notes, and Cash, should be listed in a specific order, with which of the following coming first?
 - a) Cash in possession
 - b) Promissory notes
 - c) Cash in banks and savings and loan associations
 - d) Mortgages
6. Collectibles must be included on Schedule F. For any item that is valued at more than _____, an appraisal must be attached.
 - a) \$500
 - b) \$2,500
 - c) \$3,000
 - d) \$5,000
7. When using the simplified method for claiming portability, which schedule is used for bequests to a surviving spouse?
 - a) Schedule M
 - b) Schedule O
 - c) Schedule H
 - d) Schedule G

8. Practice pointers from the IRS for completing Form 706 include:
- a) Form 706 has 27 numbered pages
 - b) Enter the total of all attachments, Continuation Schedules, etc., at the bottom of the printed schedule, and carry the totals forward from one schedule to the next
 - c) Do NOT staple all the pages together
 - d) Do not complete the “Alternate valuation date” or “Alternate value” columns of any schedule unless alternate valuation on Part 3, Elections by the Elector, was elected
9. What is a characteristic of a qualified terminable interest property trust (QTIP)?
- a) The surviving spouse must receive all the income
 - b) Distributions are not required to be made
 - c) The surviving spouse designates where property goes when they die
 - d) All of the above are true
10. Schedule E is for jointly owned property, which includes:
- a) Tenancy in common
 - b) Joint tenancy
 - c) Community property
 - d) All partnership interests

Answer Sheet for Spidell's Preparing Form 706 for Portability

Name: _____ Signature: _____

Company: _____

Address: _____

City/State/ZIP: _____

Phone: _____ Fax: _____

E-mail: _____

License/Registration No.: _____ CPA EA CRTP (CTEC) Atty

PTIN: _____

If you are an EA or CRTP (CTEC), we must have your PTIN in order to report your hours to the IRS.

Deadline to Complete the Course: *In accordance with NASBA and IRS requirements, you have one year from the date of purchase to complete the examination and submit it to our office for grading.*

This examination is designed to test your knowledge on the content of **Spidell's Preparing Form 706 for Portability**. We will grade the answer sheet, and if you answer 70% or more of the questions correctly you will be sent a certificate of completion. Passing CPAs will be recommended for two hours of continuing education credit, and passing EAs and CRTPs will be recommended for two federal tax hours of continuing education.

* Attorneys will be recommended for 1.5 hours of General MCLE/Tax Specialization credit.

To complete your exam: Go to <https://cpe.spidell.com/> and login with your e-mail address and license number to complete your exam. Click on "view courses to be completed" then "start exam". When you are finished click "submit".

Or, fax your answer sheet to (714) 776-9906.

Final Exam Questions

1. **a)** Under this method, the filing of Form 706 is not required
 b) A Form 706 must be filed on or before the fifth annual anniversary of the decedent's date of death
 c) A small user fee must accompany the filing of Form 706 to elect portability
 d) This method calls for requesting an extension of time by requesting a letter ruling
2. **a)** Life insurance proceeds except when payable to a beneficiary other than the estate
 b) Digital assets
 c) Artwork
 d) Annuities
3. **a)** Executors wanting to elect portability must specifically state at the bottom of the first page, "Filed pursuant to Rev. Proc. 2022-32 to Elect Portability under Section 2010(c)(5)(A)"
 b) The first five pages of Form 706 must be filed with all required schedules
 c) The IRS won't process returns filed without entries in each required field
 d) All schedules must be filed even if a zero is entered on any item of the Recapitulation
4. **a)** Schedule A – Real Estate
 b) Schedule B – Insurance on the Decedent's Life
 c) Schedule E – Jointly Owned Property
 d) Schedule F – Other Miscellaneous Property
5. **a)** Cash in possession
 b) Promissory notes
 c) Cash in banks and savings and loan associations
 d) Mortgages
6. **a)** \$500
 b) \$2,500
 c) \$3,000
 d) \$5,000
7. **a)** Schedule M
 b) Schedule O
 c) Schedule H
 d) Schedule G
8. **a)** Form 706 has 27 numbered pages
 b) Enter the total of all attachments, Continuation Schedules, etc., at the bottom of the printed schedule, and carry the totals forward from one schedule to the next
 c) Do NOT staple all the pages together
 d) Do not complete the "Alternate valuation date" or "Alternate value" columns of any schedule unless alternate valuation on Part 3, Elections by the Elector, was elected
9. **a)** The surviving spouse must receive all the income
 b) Distributions are not required to be made
 c) The surviving spouse designates where property goes when they die
 d) All of the above are true
10. **a)** Tenancy in common
 b) Joint tenancy
 c) Community property
 d) All partnership interests