

# Instructions for Form 706

(Rev. October 2024)

For decedents dying after December 31, 2023

## United States Estate (and Generation-Skipping Transfer) Tax Return

# 2024

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Volume 2 of 5



Department of the Treasury  
**Internal Revenue Service**

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## **Line 2. Special-Use Valuation of Section 2032A**

**In general.** Under section 2032A, you may elect to value certain farm and closely held business real property at its farm or business use value rather than its FMV. Both special-use valuation and alternate valuation may be elected.

To elect special-use valuation, check “Yes” on line 2 and complete and attach Schedule A-1 and its required additional statements. You must file Schedule A-1 and its required attachments with Form 706 for this election to be valid. You may make the election on a late-filed return so long as it’s the first return filed.

The total value of the property valued under section 2032A may not be decreased from FMV by more than \$1,390,000 for decedents dying in 2024.

Real property may qualify for the section 2032A election if:

1. The decedent was a U.S. citizen or resident at the time of death;
2. The real property is located in the United States;
3. At the decedent's death, the real property was used by the decedent or a family member for farming or in a trade or business, or was rented for such use by either the surviving spouse or a lineal descendant of the decedent to a family member on a net cash basis;
4. The real property was acquired from or passed from the decedent to a qualified heir of the decedent;
5. The real property was owned and used in a qualified manner by the decedent or a member of the decedent's family during 5 of the 8 years before the decedent's death;

6. There was material participation by the decedent or a member of the decedent's family during 5 of the 8 years before the decedent's death; and
7. The property meets the following percentage requirements.
  - a. At least 50% of the adjusted value of the gross estate must consist of the adjusted value of real or personal property that was being used as a farm or in a closely held business and that was acquired from, or passed from, the decedent to a qualified heir of the decedent.
  - b. At least 25% of the adjusted value of the gross estate must consist of the adjusted value of qualified farm or closely held business real property.

For this purpose, adjusted value is the value of property determined without regard to its special-use value. The value is reduced for unpaid mortgages on the property or any indebtedness against the property, if the full value of the decedent's interest in the property (not reduced by such mortgage or indebtedness) is included in the value of the gross estate. The adjusted value of the qualified real and personal property used in different businesses may be combined to meet the 50% and 25% requirements.

## **Qualified Real Property**

**Qualified use.** *Qualified use* means use of the property as a farm for farming purposes or in a trade or business other than farming. Trade or business applies only to the active conduct of a business. It does not apply to passive investment activities or the mere passive rental of property to a person other than a member of the decedent's family. Also,

no trade or business is present in the case of activities not engaged in for profit.

**Ownership.** To qualify as special-use property, the decedent or a member of the decedent's family must have owned and used the property in a qualified use for 5 of the last 8 years before the decedent's death.

Ownership may be direct or indirect through a corporation, a partnership, or a trust.

If the ownership is indirect, the business must qualify as a closely held business under section 6166. The indirect ownership, when combined with periods of direct ownership, must meet the requirements of section 6166 on the date of the decedent's death and for a period of time that equals at least 5 of the 8 years preceding death.

Directly owned property leased by the decedent to a separate closely held business is considered qualified real property if the business entity to which it was rented was a closely held business (as defined by section

6166) for the decedent on the date of the decedent's death and for sufficient time to meet the "5 in 8 years" test explained above.

**Structures and other real property improvements.** Qualified real property includes residential buildings and other structures and real property improvements regularly occupied or used by the owner or lessee of real property (or by the employees of the owner or lessee) to operate a farm or other closely held business. A farm residence that the decedent occupied is considered to have been occupied for the purpose of operating the farm even when a family member and not the decedent was the person materially participating in the operation of the farm.

Qualified real property also includes roads, buildings, and other structures and improvements functionally related to the qualified use.



Elements of value such as mineral rights that are not related to the farm or business use are not eligible for special-use valuation.

**Property acquired from the decedent.**

Property is considered to have been acquired from or to have passed from the decedent if one of the following applies.

- The property is considered to have been acquired from or to have passed from the decedent under section 1014(b) (relating to basis of property acquired from a decedent).
- The property is acquired by any person from the estate.
- The property is acquired by any person from a trust, to the extent the property is includible in the gross estate.

**Qualified heir.** A person is a *qualified heir* of property if the person is a member of the decedent's family and acquired or received the property from the decedent. If a qualified

heir disposes of any interest in qualified real property to any member of the qualified heir's family, that person will then be treated as the qualified heir for that interest. *A member of the family* includes only:

- An ancestor (parent, grandparent, etc.) of the individual;
- The spouse of the individual;
- The lineal descendant (child, stepchild, grandchild, etc.) of the individual, the individual's spouse, or a parent of the individual; or
- The spouse or surviving spouse of any lineal descendant described above.

**Note.** A legally adopted child of an individual is treated as a child of that individual by blood.

## **Material Participation**

To elect special-use valuation, either the decedent or a member of the decedent's

family must have materially participated in the operation of the farm or other business for at least 5 of the 8 years ending on the date of the decedent's death. The existence of *material participation* is a factual determination. Passively collecting rents, salaries, draws, dividends, or other income from the farm or other business is not sufficient for material participation, nor is merely advancing capital and reviewing a crop plan and financial reports each season or business year.

In determining whether the required participation has occurred, disregard brief periods (that is, 30 days or less) during which there was no material participation, as long as such periods were both preceded and followed by substantial periods (more than 120 days) during which there was uninterrupted material participation.

**Retirement or disability.** If, on the date of death, the time period for material participation could not be met because the decedent was retired or disabled, a substitute period may apply. The decedent must have retired on social security or been disabled for a continuous period ending with death. A person is disabled for this purpose if the person was mentally or physically unable to materially participate in the operation of the farm or other business.

The substitute time period for material participation for these decedents is a period totaling at least 5 years out of the 8-year period that ended on the earlier of:

- The date the decedent began receiving social security benefits, or
- The date the decedent became disabled.

**Surviving spouse.** A surviving spouse who received qualified real property from the predeceased spouse is considered to have

materially participated if the surviving spouse was engaged in the active management of the farm or other business. If the surviving spouse died within 8 years of the first spouse's death, you may add the period of material participation of the predeceased spouse to the period of active management by the surviving spouse to determine if the surviving spouse's estate qualifies for special-use valuation. To qualify for this, the property must have been eligible for special-use valuation in the predeceased spouse's estate, though it does not have to have been elected by that estate.

For additional details regarding material participation, see Regulations section 20.2032A-3(e).

## **Valuation Methods**

The primary method of valuing special-use property that is used for farming purposes is the annual gross cash rental method. If

comparable gross cash rentals are not available, you can substitute comparable average annual net share rentals. If neither of these is available, or if you so elect, you can use the method for valuing real property in a closely held business.

**Average annual gross cash rental.**

Generally, the special-use value of property that is used for farming purposes is determined as follows.

1. Subtract the average annual state and local real estate taxes on actual tracts of comparable real property from the average annual gross cash rental for that same comparable property.
2. Divide the result in (1) by the average annual effective interest rate charged for all new federal land bank loans.  
*See Effective interest rate, later.*

The computation of each average annual amount is based on the 5 most recent calendar years ending before the date of the decedent's death.

***Gross cash rental.*** Generally, gross cash rental is the total amount of cash received in a calendar year for the use of actual tracts of comparable farm real property in the same locality as the property being specially valued. You may not use:

- Appraisals or other statements regarding rental value or areawide averages of rentals,
- Rents paid wholly or partly in-kind, or
- Property for which the amount of rent is based on production.

The rental must have resulted from an arm's-length transaction and the amount of rent may not be reduced by the amount of any expenses or liabilities associated with the farm operation or the lease.

***Comparable property.*** Comparable property must be situated in the same locality as the qualified real property as determined by generally accepted real property valuation rules. The determination of comparability is based on a number of factors, none of which carries more weight than the others. It is often necessary to value land in segments where there are different uses or land characteristics included in the specially valued land.

The following list contains some of the factors considered in determining comparability.

- Similarity of soil.
- Whether the crops grown would deplete the soil in a similar manner.
- Types of soil conservation techniques that have been practiced on the two properties.
- Whether the two properties are subject to flooding.



- Slope of the land.
- For livestock operations, the carrying capacity of the land.
- For timbered land, whether the timber is comparable.
- Whether the property as a whole is unified or segmented. If segmented, the availability of the means necessary for movement among the different sections.
- Number, types, and conditions of all buildings and other fixed improvements located on the properties and their location as it affects efficient management, use, and value of the property.
- Availability and type of transportation facilities in terms of costs and of proximity of the properties to local markets.

You must specifically identify on the return the property being used as comparable property. Use the type of descriptions used to list real property on Schedule A.

***Effective interest rate.*** See Tables 1 and 2 of Rev. Rul. 2024-16, 2024-35 I.R.B. 534, available at [Rev. Rul. 2024-16](#), for the average annual effective interest rates in effect for 2024.

***Net share rental.*** You may use average annual net share rental from comparable land only if there is no comparable land from which average annual gross cash rental can be determined. Net share rental is the difference between the gross value of produce received by the lessor from the comparable land and the cash operating expenses (other than real estate taxes) of growing the produce that, under the lease, are paid by the lessor. The production of the produce must be the business purpose of the farming

operation. For this purpose, produce includes livestock.

The gross value of the produce is generally the gross amount received if the produce was disposed of in an arm's-length transaction within the period established by the Department of Agriculture for its price support program. Otherwise, the value is the weighted average price for which the produce sold on the closest national or regional commodities market. The value is figured for the date or dates on which the lessor received (or constructively received) the produce.

**Valuing a real property interest in a closely held business.** Use this method to determine the special-use valuation for qualifying real property used in a trade or business other than farming. You may also use this method for qualifying farm property if there is no comparable land or if you elect to use it. Under this method, the following factors are considered.

- The capitalization of income that the property can be expected to yield for farming or for closely held business purposes over a reasonable period of time with prudent management and traditional cropping patterns for the area, taking into account soil capacity, terrain configuration, and similar factors.
- The capitalization of the fair rental value of the land for farming or for closely held business purposes.
- The assessed land values in a state that provides a differential or use value assessment law for farmland or closely held business.
- Comparable sales of other farm or closely held business land in the same geographical area far enough removed from a metropolitan or resort area so that nonagricultural use is not a significant factor in the sales price.

- Any other factor that fairly values the farm or closely held business value of the property.

## **Making the Election**

Include the words "Section 2032A valuation" in the "Description" column of any Form 706 schedule if section 2032A property is included in the decedent's gross estate.

An election under section 2032A need not include all the property in an estate that is eligible for special-use valuation, but sufficient property to satisfy the threshold requirements of section 2032A(b)(1)(B) must be specially valued under the election.

If joint or undivided interests (that is, interests as joint tenants or tenants in common) in the same property are received from a decedent by qualified heirs, an election for one heir's joint or undivided interest need not include any other heir's interest in the same property if the electing

heir's interest plus other property to be specially valued satisfies the requirements of section 2032A(b)(1)(B).

If successive interests (that is, life estates and remainder interests) are created by a decedent in otherwise qualified property, an election under section 2032A is available only for that property (or part) in which qualified heirs of the decedent receive all of the successive interests, and such an election must include the interests of all of those heirs.

For example, if a surviving spouse receives a life estate in otherwise qualified property and the spouse's sibling receives a remainder interest in fee, no part of the property may be valued under a section 2032A election.

Where successive interests in specially valued property are created, remainder interests are treated as being received by qualified heirs only if the remainder interests are not contingent on surviving a nonfamily member

or are not subject to divestment in favor of a nonfamily member.

## **Protective Election**

You may make a protective election to specially value qualified real property. Under this election, whether or not you may ultimately use special-use valuation depends upon final values (as shown on the return determined following examination of the return) meeting the requirements of section 2032A.

To make a protective election, check “Yes” on line 2 and complete Schedule A-1 according to the instructions for Protective election, later.

If you make a protective election, complete the initial Form 706 by valuing all property at its FMV. Do not use special-use valuation. Usually, this will result in higher estate and GST tax liabilities than will be ultimately determined if special-use valuation is allowed.

The protective election does not extend the time to pay the taxes shown on the return. If you wish to extend the time to pay the taxes, file Form 4768 in adequate time before the due date of the return. See the Instructions for Form 4768.

If the estate qualifies for special-use valuation based on the values as finally determined, you must file an amended Form 706 (with a complete section 2032A election) within 60 days after the date of this determination. Prepare the amended return using special-use values under the rules of section 2032A, complete Schedule A-1, and attach all of the required statements.

## **Additional Information**

For definitions and additional information, see section 2032A and the related regulations.



## **Line 3. Section 6166 Installment Payments**

If the gross estate includes an interest in a closely held business, you may be able to elect to pay part of the estate tax in installments under section 6166.

The maximum amount that can be paid in installments is that part of the estate tax that is attributable to the closely held business; see *Determine how much of the estate tax may be paid in installments under section 6166*, later. In general, that amount is the amount of tax that bears the same ratio to the total estate tax that the value of the closely held business included in the gross estate bears to the adjusted gross estate.

**Bond or lien.** The IRS may require that an estate furnish a surety bond when granting the installment payment election. In the alternative, the executor may consent to elect the special lien provisions of section 6324A in lieu of the bond. The IRS will contact you

regarding the specifics of furnishing the bond or electing the special lien. The IRS will make this determination on a case-by-case basis, and you may be asked to provide additional information.

If you elect the lien provisions, section 6324A requires that the lien be placed on property having a value equal to the total deferred tax plus 4 years of interest. The property must be expected to survive the deferral period, and does not necessarily have to be property of the estate. In addition, all people with an interest in the designated property must consent to the creation of this lien.

**Percentage requirements.** To qualify for installment payments, the value of the interest in the closely held business that is included in the gross estate must be more than 35% of the adjusted gross estate (the gross estate less expenses, indebtedness, taxes, and losses—Schedules J, K, and L of

Form 706 (do not include any portion of the state death tax deduction)).

Interests in two or more closely held businesses are treated as an interest in a single business if at least 20% of the total value of each business is included in the gross estate. For this purpose, include any interest held by the surviving spouse that represents the surviving spouse's interest in a business held jointly with the decedent as community property or as joint tenants, tenants by the entirety, or tenants in common.

**Value.** The value used for meeting the percentage requirements is the same value used for determining the gross estate. Therefore, if the estate is valued under alternate valuation or special-use valuation, you must use those values to meet the percentage requirements.

**Transfers before death.** Generally, gifts made before death are not included in the gross estate. However, the estate must meet

the 35% requirement by both including in and excluding from the gross estate any gifts made by the decedent in the 3-year period ending on the date of death.

***Passive assets.*** In determining the value of a closely held business and whether the 35% requirement is met, do not include the value of any passive assets held by the business. A passive asset is any asset not used in carrying on a trade or business. Any asset used in a qualifying lending and financing business is treated as an asset used in carrying on a trade or business; see section 6166(b)(10) for details. Stock in another corporation is a passive asset unless the stock is treated as held by the decedent because of the election to treat holding company stock as business company stock; see *Holding company stock*, later.

If a corporation owns at least 20% in value of the voting stock of another corporation, or the other corporation had no more than 45

shareholders and at least 80% of the value of the assets of each corporation is attributable to assets used in carrying on a trade or business, then these corporations will be treated as a single corporation and the stock will not be treated as a passive asset. Stock held in the other corporation is not taken into account in determining the 80% requirement.

**Interest in a closely held business.** For purposes of the installment payment election, an *interest in a closely held business* means:

- Ownership of a trade or business carried on as a proprietorship;
- An interest as a partner in a partnership carrying on a trade or business, if 20% or more of the total capital interest was included in the gross estate of the decedent or the partnership had no more than 45 partners; or
- Stock in a corporation carrying on a trade or business, if 20% or more in value of

the voting stock of the corporation is included in the gross estate of the decedent or the corporation had no more than 45 shareholders.

Line 3 Worksheet—Adjusted Gross Estate

1.	Enter the value of the decedent's interest in closely held business(es) included in the gross estate (less value of passive assets, as mentioned in section 6166(b)(9)) . . . . .	
2.	Enter the value of the gross estate (Form 706, Part 5, item 13) . . . . .	
3.	Add items 18, 19, and 20 from Form 706, Part 5 . . . . .	
4.	Subtract line 3 from line 2 to figure the adjusted gross estate . . . . .	
5.	Divide line 1 by line 4 to figure the value the business interest bears to the value of the adjusted gross estate. For purposes of this calculation, carry the decimal to the sixth place; the IRS will make this adjustment for purposes of determining the correct amount. If this amount is less than 0.350000, the estate does not qualify to make the election under section 6166 . . . . .	
6.	Multiply line 5 by the amount on line 16 of Form 706, Part 2. This is the maximum amount of estate tax that may be paid in installments under section 6166. (Certain GST taxes may be deferred as well; see section 6166(i) for more information.) . . . . .	

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The partnership or corporation must be carrying on a trade or business at the time of the decedent's death. For further information on whether certain partnerships or corporations owning real property interests constitute a closely held business, see Rev. Rul. 2006-34, 2006-26 I.R.B. 1171, available at [Rev. Rul. 2006-34](#).

In determining the number of partners or shareholders, a partnership or stock interest is treated as owned by one partner or shareholder if it is community property or held by spouses as joint tenants, tenants in common, or tenants by the entirety.

Property owned directly or indirectly by or for a corporation, partnership, estate, or trust is treated as owned proportionately by or for its shareholders, partners, or beneficiaries. For trusts, only beneficiaries with present interests are considered.

The interest in a closely held farm business includes the interest in the residential buildings and related improvements occupied regularly by the owners, lessees, and employees operating the farm.

***Holding company stock.*** The executor may elect to treat as business company stock the portion of any holding company stock that represents direct ownership (or indirect ownership through one or more other holding companies) in a business company. A *holding company* is a corporation holding stock in another corporation. A *business company* is a corporation carrying on a trade or business.

In general, this election applies only to stock that is not readily tradable. However, the election can be made if the business company stock is readily tradable, as long as all of the stock of each holding company is not readily tradable.

For purposes of the 20%-voting-stock requirement, stock is treated as voting stock to the extent the holding company owns voting stock in the business company.

If the executor makes this election, the first installment payment is due when the estate tax return is filed. The 5-year deferral for payment of the tax, as discussed later under *Time for payment*, does not apply. In addition, the 2% interest rate, discussed later under *Interest computation*, will not apply. Also, if the business company stock is readily tradable, as explained above, the tax must be paid in five installments.

**Determine how much of the estate tax may be paid in installments under section 6166.** To determine whether the election may be made, you must figure the adjusted gross estate. (See the Line 3 Worksheet—Adjusted Gross Estate below.) To determine the value of the adjusted gross

estate, subtract the deductions (Schedules J, K, and L) from the value of the gross estate.

To determine over how many installments the estate tax may be paid, please refer to sections 6166(a), (b)(7), (b)(8), and (b)(10).

**Time for payment.** Under the installment method, the executor may elect to defer payment of the qualified estate tax, but not interest, for up to 5 years from the original payment due date. After the first installment of tax is paid, you must pay the remaining installments annually by the date 1 year after the due date of the preceding installment. There can be no more than 10 installment payments.

Interest on the unpaid portion of the tax is not deferred and must be paid annually.

Interest must be paid at the same time as and as a part of each installment payment of the tax.

**Acceleration of payments.** If the estate fails to make payments of tax or interest within 6 months of the due date, the IRS may terminate the right to make installment payments and force an acceleration of payment of the tax upon notice and demand. Upon notice and demand, a penalty will be imposed for an amount that is 5% of the payment multiplied by the number of months (or fractions thereof) after the due date and before the payment is made.

Generally, if any portion of the interest in the closely held business which qualifies for installment payments is distributed, sold, exchanged, or otherwise disposed of, or money and other property attributable to such an interest is withdrawn, and the aggregate of those events equals or exceeds 50% of the value of the interest, then the right to make installment payments will be terminated, and the unpaid portion of the tax

will be due upon notice and demand. See section 6166(g)(1)(A).

**Interest computation.** A special interest rate applies to installment payments. For decedents dying in 2024, the interest rate is 2% on the lesser of:

- \$740,000, or
- The amount of the estate tax that is attributable to the closely held business and that is payable in installments.

**2% portion.** The 2% portion is an amount equal to the amount of the tentative estate tax (on \$1 million plus the applicable exclusion amount in effect) minus the applicable credit amount in effect. However, if the amount of estate tax extended under section 6166 is less than the amount figured above, the 2% portion is the lesser amount.

**Inflation adjustment.** The \$1 million amount used to figure the 2% portion is indexed for inflation for the estates of

decedents who died in a calendar year after 1998. For an estate of a decedent who died in 2024, the dollar amount used to determine the “2% portion” of the estate tax payable in installments under section 6166 is \$1,850,000.

***Computation.*** Interest on the portion of the tax in excess of the 2% portion is figured at 45% of the annual rate of interest on underpayments. This rate is based on the federal short-term rate and is announced quarterly by the IRS in the Internal Revenue Bulletin.

If you elect installment payments and the estate tax due is more than the maximum amount to which the 2% interest rate applies, each installment payment is deemed to comprise both tax subject to the 2% interest rate and tax subject to 45% of the regular underpayment rate. The amount of each installment that is subject to the 2% rate is the same as the percentage of total tax

payable in installments that is subject to the 2% rate.



*The interest paid on installment payments is not deductible as an administrative expense of the estate.*

**Making the election.** If you check this line to make a final election, you must attach the notice of election described in Regulations section 20.6166-1(b). If you check this line to make a protective election, you must attach a notice of protective election as described in Regulations section 20.6166-1(d). Regulations section 20.6166-1(b) requires that the notice of election is made by attaching to a timely filed estate tax return the following information.

- The decedent's name and taxpayer identification number (TIN) as they appear on the estate tax return.
- The amount of tax that is to be paid in installments.



- The date selected for payment of the first installment.
- The number of annual installments, including first installment, in which the tax is to be paid.
- The properties shown on the estate tax return that are the closely held business interest (identified by schedule and item number).
- The facts that formed the basis for the executor's conclusion that the estate qualifies for payment of the estate tax in installments.

You may also elect to pay certain GST taxes in installments. See section 6166(i).

#### **Line 4. Reversionary or Remainder Interests**

For details of this election, see section 6163 and the related regulations.

## **Part 4—General Information**

### **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.

### **Line 3**

Enter the marital status of the decedent at the time of death by checking the appropriate

box on line 3a. If the decedent was married at the time of death, complete line 4. If the decedent had one or more prior marriages, complete line 3b by providing the name and SSN of each former spouse, the date(s) the marriage ended, and specify whether the marriage ended by annulment, divorce decree, or death of spouse. If the prior marriage ended in death and the predeceased spouse died after December 31, 2010, complete *Part 6—Portability of Deceased Spousal Unused Exclusion, Section D*, if the estate of the predeceased spouse elected to allow the decedent to use any unused exclusion amount. For more information, see section 2010(c) (4) and related regulations.

## **Line 4**

Complete line 4 whether or not there is a surviving spouse and whether or not the surviving spouse received any benefits from the estate. If there was no surviving spouse on the date of the decedent's death, enter

“None” on line 4a and leave lines 4b and 4c blank. The value entered on line 4c need not be exact. See *Amount* under line 5, later.

**Note.** Do not include any DSUE amount transferred to the surviving spouse in the total entered on line 4c.

## **Line 5**

**Name.** Enter the name of each individual, trust, or estate that received (or will receive) benefits of \$5,000 or more from the estate directly as an heir, next-of-kin, devisee, or legatee; or indirectly (for example, as beneficiary of an annuity or insurance policy, shareholder of a corporation, or partner of a partnership that is an heir, etc.).

**Identifying number.** Enter the SSN of each individual beneficiary listed. If the number is unknown, or the individual has no number, please indicate “unknown” or “none.” For trusts and other estates, enter the employer identification number (EIN).

**Relationship.** For each individual beneficiary, enter the relationship (if known) to the decedent by reason of blood, marriage, or adoption. For trust or estate beneficiaries, indicate "TRUST" or "ESTATE."

**Amount.** Enter the amount actually distributed (or to be distributed) to each beneficiary including transfers during the decedent's life from Schedule G required to be included in the gross estate. The value to be entered need not be exact. A reasonable estimate is sufficient. For example, where precise values cannot readily be determined, as with certain future interests, a reasonable approximation should be entered. The total of these distributions should approximate the amount of gross estate reduced by funeral and administrative expenses, debts and mortgages, bequests to surviving spouse, charitable bequests, and any federal and state estate and GST taxes paid (or payable)

relating to the benefits received by the beneficiaries listed on lines 4 and 5.

All distributions of less than \$5,000 to specific beneficiaries may be included with distributions to unascertainable beneficiaries on the line provided.

### **Line 6. Protective Claim for Refund**

If you answered "Yes," complete Schedule PC for each claim. Two copies of each Schedule PC must be filed with the return.

A protective claim for refund may be filed when there is an unresolved claim or expense that will not be deductible under section 2053 before the expiration of the period of limitation under section 6511(a). To preserve the estate's right to a refund once the claim or expense has been finally determined, the protective claim must be filed before the end of the limitations period. For more information on how to file a protective claim

for refund with this Form 706, see the instructions for Schedule PC, later.

### **Line 7. Section 2044 Property**

If you answered "Yes," these assets must be shown on Schedule F.

Section 2044 property is property for which a previous section 2056(b)(7) election (QTIP election) has been made, or for which a similar gift tax election (section 2523) has been made. For more information, see the instructions for Schedule F, later.

### **Line 9. Insurance Not Included in the Gross Estate**

If you answered "Yes" to either line 9a or 9b, for each policy you must complete and attach Schedule D, Form 712, and an explanation of why the policy or its proceeds are not includible in the gross estate.



## **Line 11. Partnership Interests and Stock in Close Corporations**

If you answered “Yes” on line 11a, you must include full details for partnerships (including family limited partnerships), unincorporated businesses, and limited liability companies (LLCs) on Schedule F (Schedule E if the partnership interest is jointly owned). Also include full details for fractional interests in real estate on Schedule A and for stock of inactive or close corporations on Schedule B.

Value these interests using the rules of Regulations section 20.2031-2 (stocks) or 20.2031-3 (other business interests).

*A close corporation* is a corporation whose shares are owned by a limited number of shareholders. Often, one family holds the entire stock issue. As a result, little, if any, trading of the stock takes place. There is, therefore, no established market for the stock, and those sales that do occur are at irregular intervals and seldom reflect all the

elements of a representative transaction as defined by FMV.

### **Line 13. Trusts**

If you answered "Yes" on either line 13a or line 13b, attach a copy of the trust instrument for each trust.

Complete Schedule G if you answered "Yes" on line 13a and Schedule F if you answered "Yes" on line 13b.

### **Line 15. Foreign Accounts**

Check "Yes" on line 15 if the decedent at the time of death had an interest in or signature or other authority over a financial account in a foreign country, such as a bank account, securities account, an offshore trust, or other financial account.

## Part 5—Recapitulation

### Gross Estate—Items 1 Through 11

**Items 1 through 9.** You must make an entry in each of items 1 through 9.

If the gross estate does not contain any assets of the type specified by a given item, enter zero for that item. Entering zero for any of items 1 through 9 is a statement by the executor, made under penalties of perjury, that the gross estate does not contain any includible assets covered by that item.

Do not enter any amounts in the “Alternate value” column unless you elected alternate valuation on *Part 3—Elections by the Executor*, line 1.

**Note.** If estimating the value of one or more assets pursuant to the special rule of Regulations section 20.2010-2(a)(7)(ii), do not enter values for those assets in items 1 through 9. Total the estimated values for

those assets and follow the instructions for item 10.

**Which schedules to attach for items 1 through 9.** You must attach the following.

- Schedule F. Answer its questions even if you report no assets on it.
- Schedules A, B, and C, if the gross estate includes any (1) Real Estate, (2) Stocks and Bonds, or (3) Mortgages, Notes, and Cash, respectively.
- Schedule D, if the gross estate includes any life insurance or if you answered “Yes” to question 9a of *Part 4—General Information*.
- Schedule E, if the gross estate contains any jointly owned property or if you answered “Yes” to question 10 of *Part 4—General Information*.
- Schedule G, if the decedent made any of the lifetime transfers to be listed on that

schedule or if you answered “Yes” to question 12 or 13a of *Part 4—General Information*.

- Schedule H, if you answered “Yes” to question 14 of *Part 4—General Information*.
- Schedule I, if you answered “Yes” to question 16 of *Part 4—General Information*.

**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, later, that corresponds to that total.

**Note.** The special rule does not apply if the valuation of the asset is needed to determine the estate's eligibility for the provisions of section 2032, 2032A, 2652(a)(3), or 6166, or any other provision of the Code or regulations.

**Note.** As applies to all other values reported on Form 706, estimates of the value of property subject to the special rule of Regulations section 20.2010-2(a)(7)(ii) must result from the executor's exercise of due diligence and are subject to penalties of perjury.

## **Exclusion—Item 12**

### **Item 12. Conservation easement**

**exclusion.** Complete and attach Schedule U (along with any required attachments) to claim the exclusion on this line.

## **Deductions—Items 14 Through 23**

**Items 14 through 22.** Attach the appropriate schedules for the deductions claimed.

**Item 18.** If item 17 is less than or equal to the value (at the time of the decedent's death) of the property subject to claims, enter the amount from item 17 on item 18.

If the amount on item 17 is more than the value of the property subject to claims, enter the greater of:

- The value of the property subject to claims, or
- The amount actually paid at the time the return is filed.

In no event should you enter more on item 18 than the amount on item 17. See section 2053 and the related regulations for more information.

**Item 23.** 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 Schedule M or O, enter on item 23 the amount from item 10.

## **Part 6—Portability of Deceased Spousal Unused Exclusion (DSUE)**

Section 2010(c)(4) authorizes estates of decedents dying after December 31, 2010, to elect to transfer any unused exclusion to the surviving spouse. The amount received by the



surviving spouse is called the *deceased spousal unused exclusion* (DSUE) amount. If the executor of the decedent's estate elects transfer, or portability, of the DSUE amount, the surviving spouse can apply the DSUE amount received from the estate of the surviving spouse's last deceased spouse (defined later) against any tax liability arising from subsequent lifetime gifts and transfers at death.

**Note.** A nonresident surviving spouse who is not a citizen of the United States may not take into account the DSUE amount of a deceased spouse, except to the extent allowed by treaty with the nonresident surviving spouse's country of citizenship.

### **Last Deceased Spouse Limitation**

The *last deceased spouse* is the most recently deceased person who was married to the surviving spouse at the time of that person's death. The identity of the last deceased spouse is determined as of the day a taxable

gift is made, or in the case of a transfer at death, the date of the surviving spouse's death. The identity of the last deceased spouse is not impacted by whether the decedent's estate elected portability or whether the last deceased spouse had any DSUE amount available. Remarriage also does not affect the designation of the last deceased spouse and does not prevent the surviving spouse from applying the DSUE amount to taxable transfers.

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
\$4,250,000	\$4,500,000	\$4,500,000
\$4,500,000	\$4,750,000	\$4,750,000
\$4,750,000	\$5,000,000	\$5,000,000
\$5,000,000	\$5,250,000	\$5,250,000

**Table of Estimated Values (*continued*)**

\$5,250,000	\$5,500,000	\$5,500,000
\$5,500,000	\$5,750,000	\$5,750,000
\$5,750,000	\$6,000,000	\$6,000,000
\$6,000,000	\$6,250,000	\$6,250,000
\$6,250,000	\$6,500,000	\$6,500,000
\$6,500,000	\$6,750,000	\$6,750,000
\$6,750,000	\$7,000,000	\$7,000,000
\$7,000,000	\$7,250,000	\$7,250,000
\$7,250,000	\$7,500,000	\$7,500,000
\$7,500,000	\$7,750,000	\$7,750,000
\$7,750,000	\$8,000,000	\$8,000,000
\$8,000,000	\$8,250,000	\$8,250,000
\$8,250,000	\$8,500,000	\$8,500,000
\$8,500,000	\$8,750,000	\$8,750,000
\$8,750,000	\$9,000,000	\$9,000,000
\$9,000,000	\$9,250,000	\$9,250,000
\$9,250,000	\$9,500,000	\$9,500,000
\$9,500,000	\$9,750,000	\$9,750,000
\$9,750,000	\$10,000,000	\$10,000,000
\$10,000,000	\$10,250,000	\$10,250,000
\$10,250,000	\$10,500,000	\$10,500,000
\$10,500,000	\$10,750,000	\$10,750,000
\$10,750,000	\$11,000,000	\$11,000,000

<b>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:</b>	<b>But less than or equal to:</b>	<b>Include this amount on lines 10 and 23:</b>
\$11,000,000	\$11,180,000	\$11,180,000
\$11,180,000	\$11,400,000	\$11,400,000
\$11,400,000	\$11,580,000	\$11,580,000
\$11,580,000	\$11,700,000	\$11,700,000
\$11,700,000	\$12,060,000	\$12,060,000
\$12,060,000	\$12,920,000	\$12,920,000
\$12,920,000	\$13,610,000	\$13,610,000

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When a taxable gift is made, the DSUE amount received from the last deceased spouse is applied before the surviving spouse's basic exclusion amount. A surviving spouse may use the DSUE amount of the last deceased spouse to offset the tax on any taxable transfer made after the deceased spouse's death. A surviving spouse who has more than one predeceased spouse is not precluded from using the DSUE amount of each spouse in succession. A surviving spouse may not use the sum of DSUE amounts from multiple predeceased spouses at one time nor may the DSUE amount of a predeceased spouse be applied after the death of a subsequent spouse.

## **Making the Election**

A timely filed and complete Form 706 is required to elect portability of the DSUE amount to a surviving spouse. The filing requirement applies to all estates of decedents choosing to elect portability of the

DSUE amount, regardless of the size of the estate. A timely filed return is one that is filed on or before the due date of the return, including extensions. See Rev. Proc. 2022-32 (superseding Rev. Proc. 2017-34) for the simplified procedures for late elections.

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.

**Note.** Under Regulations section 20.2010-2(a)(5), the executor of an estate of a nonresident decedent who was not a citizen of the United States at the time of death cannot make a portability election.



If an executor is appointed, qualified, and acting with the United States on behalf of the decedent's estate, only that executor may make or opt out of a portability election. If there is no executor, see Regulations section 20.2010-2(a)(6)(ii).

## **Opting Out**

If an estate files a Form 706 but does not wish to make the portability election, the executor can opt out of the portability election by checking the box indicated in Section A of this Part. If no return is required under section 6018(a), not filing Form 706 will avoid making the election.

## **Figuring the DSUE Amount**

Regulations section 20.2010-2(b)(1) requires that a decedent's DSUE be figured on the estate tax return. The DSUE amount is the lesser of (a) the basic exclusion amount in effect on the date of death of the decedent whose DSUE is being figured, or (b) the

decedent's applicable exclusion amount less the amount on line 5 of *Part 2—Tax Computation* on the Form 706 for the estate of the decedent. Amounts on which gift taxes were paid are excluded from adjusted taxable gifts for the purpose of this computation.

When a surviving spouse applies the DSUE amount to a lifetime gift or bequest at death, the IRS may examine any return of a predeceased spouse whose executor elected portability to verify the allowable DSUE amount. The DSUE amount may be adjusted or eliminated as a result of the examination; however, the IRS may only make an assessment of additional tax on the return of the predeceased spouse within the applicable limitations period under section 6501.

## **Special Rule Where Value of Certain Property Not Required To Be Reported on Form 706**

The regulations provide that executors of estates who are not otherwise required to file Form 706 under section 6018(a) do not have to report the value of certain property qualifying for the marital or charitable deduction. For such property, the executor may estimate the value in good faith and with the due diligence to be afforded all assets includible in the gross estate. The amount reported on Form 706 will correspond to a range of dollar values and will be included in the value of the gross estate shown on *Part 2—Tax Computation*, line 1. See the instructions for *Part 5—Recapitulation*, items 10 and 23, earlier, for more details.

# Specific Instructions

**Portability Election.** 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.

**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.

## **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.*



If the total gross estate contains any real estate, complete Schedule A and file it with the return. On Schedule A, list real estate the decedent owned or had contracted to purchase. Number each parcel in the left-hand column.

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.

If the decedent's estate is not liable for the amount of the mortgage, report only the value of the equity of redemption (or value of the property less the indebtedness) in the value column as part of the gross estate. Do not enter any amount less than zero. Do not deduct the amount of indebtedness on Schedule K.

Also list on Schedule A real property the decedent contracted to purchase. Report the full value of the property and not the equity in the value column. Deduct the unpaid part of the purchase price on Schedule K.

Report the value of real estate without reducing it for homestead or other exemption, or the value of dower, curtesy, or a statutory estate created instead of dower or curtesy.

Explain how the reported values were determined and attach copies of any appraisals.

Schedule A—Example 1

In this example, alternate valuation is not adopted; the date of death is January 1, 2024.				
Item number	Description	Alternate valuation date	Alternate value	Value at date of death
1	House and lot, 1921 William Street NW, Washington, DC (lot 6, square 481). Rent of \$8,100 due at the end of each quarter, February 1, May 1, August 1, and November 1. Value based on appraisal, copy of which is attached . . . . .			\$550,000
	Rent due on item 1 for quarter ending November 1, 2023, but not collected at date of death . . .			8,100
	Rent accrued on item 1 for November and December 2023 . . . . .			5,400
2	House and lot, 304 Jefferson Street, Alexandria, VA (lot 18, square 40). Rent of \$1,800 payable monthly. Value based on appraisal, copy of which is attached . . . . .			375,000
	Rent due on item 2 for December 2023, but not collected at death . . . . .			1,800

Schedule A—Example 2

In this example, alternate valuation is adopted; the date of death is January 1, 2024.				
Item number	Description	Alternate valuation date	Alternate value	Value at date of death
1	House and lot, 1921 William Street NW, Washington, DC (lot 6, square 481). Rent of \$8,100 due at the end of each quarter, February 1, May 1, August 1, and November 1. Value based on appraisal, copy of which is attached. Not disposed of within 6 months of date of death . . . . .	7/1/24	\$535,000	\$550,000
	Rent due on item 1 for quarter ending November 1, 2023, but not collected until February 1, 2024 . . . . .	2/1/24	8,100	8,100
	Rent accrued on item 1 for November and December 2023, collected on February 1, 2024 . . . .	2/1/24	5,400	5,400
2	House and lot, 304 Jefferson Street, Alexandria, VA (lot 18, square 40). Rent of \$1,800 payable monthly. Value based on appraisal, copy of which is attached. Property exchanged for farm on May 1, 2024 . . . . .	5/1/24	369,000	375,000
	Rent due on item 2 for December 2023, but not collected until February 1, 2024 . . . . .	2/1/24	1,800	1,800

## **Schedule A-1—Section 2032A Valuation**

The election to value certain farm and closely held business property at its special-use value is made by checking “Yes” on Form 706, *Part 3—Elections by the Executor*, line 2. Schedule A-1 is used to report the additional information that must be submitted to support this election. In order to make a valid election, you must complete Schedule A-1 and attach all of the required statements and appraisals.

For definitions and additional information concerning special-use valuation, see section 2032A and the related regulations.

### **Part 1. Type of Election**

**Estate and GST tax elections.** If you elect special-use valuation for the estate tax, you must also elect special-use valuation for the GST tax and vice versa.

**Protective election.** To make the protective election described in the separate instructions for *Part 3—Elections by the Executor*, line 2, you must complete the following.

- Check the box in Part 1. Type of Election.
- Enter the decedent's name and SSN in the spaces provided at the top of Schedule A-1.
- Complete Part 2. Notice of Election, line 1, and column A for lines 3 and 4.

For purposes of the protective election, list on line 3 all of the real property that passes to the qualified heirs even though some of the property will be shown on line 2 when the additional notice of election is subsequently filed.

You don't need to complete columns B through D of lines 3 and 4 or any other line entries on Schedule A-1.

Completing Schedule A-1 as described above constitutes a Notice of Protective Election as described in Regulations section 20.2032A-8(b).

## **Part 2. Notice of Election**

**Line 10.** Because the special-use valuation election creates a potential tax liability for the recapture tax of section 2032A(c), you must list each person who receives an interest in the specially valued property on Schedule A-1. If there are more than eight persons who receive interests, use an additional sheet that follows the format of line 10. In the columns "Fair market value" and "Special-use value," enter the total respective values of all the specially valued property interests received by each person.

## **GST Tax Savings**

To figure the additional GST tax due upon disposition (or cessation of qualified use) of the property, each "skip person" (as defined

in the instructions for Schedule R) who receives an interest in the specially valued property must know the total GST tax savings all interests in specially valued property received. The GST tax savings is the difference between the total GST tax that was imposed on all interests in specially valued property received by the skip person valued at their special-use value and the total GST tax that would have been imposed on the same interests received by the skip person had they been valued at their FMV.

Because the GST tax depends on the executor's allocation of the GST exemption and the grandchild exclusion, the skip person who receives the interests is unable to figure this GST tax savings. Therefore, for each skip person who receives an interest in specially valued property, you must attach a calculation of the total GST tax savings attributable to that person's interests in specially valued property.