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Recent Developments in Estate and Gift Tax



Form 706 – General Information

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Form 706 (Rev. August 2013)		United States Estate (and Generation-Skipping Transfer) Tax Return			OMB No. 1545-0015	
Department of the Treasury Internal Revenue Service		<p>► Estate of a citizen or resident of the United States (see instructions). To be filed for decedents dying after December 31, 2012.</p> <p>► Information about Form 706 and its separate instructions is at www.irs.gov/form706.</p>				
Part 1—Decedent and Executor	1a	Decedent's first name and middle initial (and maiden name, if any)		1b	Decedent's last name	
	2	Decedent's social security no.				
	3a	City, town, or post office; county; state or province; country; and ZIP or foreign postal code.		3b	Year domicile established	
			4	Date of birth	5	Date of death
	6a	Name of executor (see instructions)				
	6c	Executor's social security number (see instructions)				
		6b 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.				
	6d 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.					
	7a Name and location of court where will was probated or estate administered				7b	Case number
	8 If decedent died testate, check here <input 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 Schedule R-1 is attached, 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 20.2010-2T(a) (7)(i), check here <input type="checkbox"/>			

- Ensure all SSNs and addresses are correct
- Include all personal representatives
- Item 11: Portability Return



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Form 706 for Decedents Dying after December 31, 2012

- Revised Form 706 released in Aug. 2013
- 2013 Basic Exclusion = \$5,250,000
- 2014 Basic Exclusion = \$5,340,000
- Indexed for Inflation
- Tax Rate 40%



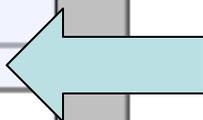
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Applicable Exclusion Amount

9a	Basic exclusion amount	9a				
9b	Deceased spousal unused exclusion (DSUE) amount from predeceased spouse(s), if any (from Section D, Part 6—Portability of Deceased Spousal Unused Exclusion).	9b				
9c	Applicable exclusion amount (add lines 9a and 9b)	9c				
9d	Applicable credit amount (tentative tax on the amount in 9c from Table A in the instructions)	9d				
10	Adjustment to applicable credit amount (May not exceed \$6,000. See instructions.)	10				
11	Allowable applicable credit amount (subtract line 10 from line 9d)	11				



- Line 9c on Page 1, Part 2
- Applicable Exclusion = Basic Exclusion *plus* Deceased Spousal Unused Exclusion
- Compute Applicable Credit Amount



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Portability of Deceased Spousal Unused Exclusion (DSUE) Amount

- Portability election on timely filed Form 706, including extension
- Election irrevocable after due date
- Executor can make election or opt out
- Compute DSUE amount on Form 706



Recapitulation

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Part 5—Recapitulation. Note. If estimating the value of one or more assets pursuant to the special rule of Reg. section 20.2010-2T(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	
2	Schedule B—Stocks and Bonds	2	
3	Schedule C—Mortgages, Notes, and Cash	3	
4	Schedule D—Insurance on the Decedent's Life (attach Form(s) 712)	4	
5	Schedule E—Jointly Owned Property (attach Form(s) 712 for life insurance)	5	
6	Schedule F—Other Miscellaneous Property (attach Form(s) 712 for life insurance)	6	
7	Schedule G—Transfers During Decedent's Life (att. Form(s) 712 for life insurance)	7	
8	Schedule H—Powers of Appointment	8	
9	Schedule I—Annuities	9	
10	Estimated value of assets subject to the special rule of Reg. section 20.2010-2T(a)(7)(ii)	10	
11	Total gross estate (add items 1 through 10)	11	



- Line 10 allows executor to report estimated value of assets when return is filed for portability purposes
- Treas. Reg. Section 20.2010-2T(a)(7)(ii)



Deceased Spousal Unused Exclusion

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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 deceased spousal unused exclusion (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. QDOT

Are any assets of the estate being transferred to a qualified domestic trust (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 9c, 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		



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Marital Deduction for Same-Sex Married Couples

- Supreme Court voids Section 3 of DOMA
- Federal government recognizes same-sex marriages that are valid under state law for federal tax purposes



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Marital Deduction

- Unlimited marital deduction for same-sex married couples on estate and gift returns
- May amend returns if within statute
- Gift splitting
- Portability elections
- Revenue Ruling 2013-17
- Revenue Procedure 2014-18



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Gift Tax – Form 709

- Gift tax annual exclusion for tax years 2013 and 2014 is \$14,000 per donee
- Spouses may gift \$28,000 to each donee
- May apply DSUE amount to taxable gifts

19		Have you applied a DSUE amount received from a predeceased spouse to a gift or gifts reported on this or a previous Form 709? If "Yes," complete Schedule C	<input type="checkbox"/>	<input type="checkbox"/>
ation	1	Enter the amount from Schedule A, Part 4, line 11	1	
	2	Enter the amount from Schedule B, line 3	2	
	3	Total taxable gifts. Add lines 1 and 2	3	
	4	Tax computed on amount on line 3 (see <i>Table for Computing Gift Tax</i> in instructions)	4	
	5	Tax computed on amount on line 2 (see <i>Table for Computing Gift Tax</i> in instructions)	5	
	6	Balance. Subtract line 5 from line 4	6	
	7	Applicable credit amount. If donor has DSUE amount from predeceased spouse(s), enter amount from Schedule C, line 4; otherwise, see instructions	7	



Gift Tax – Form 709 Schedule C

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Form 709 (2013)

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SCHEDULE C Deceased Spousal Unused Exclusion (DSUE) Amount

Provide the following information to determine the DSUE amount and applicable credit received from prior spouses. Complete Schedule A before beginning Schedule C.

A Name of Deceased Spouse (dates of death after December 31, 2010 only)	B Date of Death	C Portability Election Made?		D If "Yes," DSUE Amount Received from Spouse	E DSUE Amount Applied by Donor to Lifetime Gifts (list current and prior gifts)	F Date of Gift(s) (enter as mm/dd/yy for Part 1 and as yyyy for Part 2)
		Yes	No			

Part 1 – DSUE RECEIVED FROM LAST DECEASED SPOUSE

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Part 2 – DSUE RECEIVED FROM PREDECEASED SPOUSE(S)

TOTAL (for all DSUE amounts applied for Part 1 and Part 2)

1	Donor's basic exclusion amount (see instructions)	1		
2	Total from column E, Parts 1 and 2	2		
3	Add lines 1 and 2	3		
4	Applicable credit on amount in line 3 (See <i>Table for Computing Gift Tax</i> in the instructions). Enter here and on line 7, Part 2—Tax Computation	4		



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More Information

- Estate and Gift Tax information is available at IRS.gov
- Keywords “estate and gift” for access to:
 - What’s new
 - FAQs
 - Pub 559, Survivors, Executors and Administrators
 - Filing information



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Hot Spots on IRS.gov

Topic	Search Word(s)
Electronic Newsletters	e-news
Multimedia Center / social media	IRS new media
IRS tax videos	Video portal
Basic tools for tax professionals	Basic tools
E-Services – online tax tools	Eservice
New IRS Pub 5136 – A guide to tax information and services for individual taxpayers	5136
SB/SE Tax Calendar	Tax calendar
Continuing education for tax pros	Tax pros