

Strafford Basis Consistency Webinar

Keith Schiller and Vince Lackner (June 1, 2016) 6-11-16

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23. If a Taxpayer only files a Form 706 for her deceased spouse for the portability issue of adding his excess estate to hers in the future, and she is the only beneficiary in his will, does Form 8971 still need to be filed?

A: [No 8971 required for portability-only 706s \(because below the current \\$5.45m threshold for requiring a 706\).](#)

24. One question regarding the 8971 seminar would be whether already distributed assets, such as liquidated partnership interests in order to fund the estate tax bill, would need to be reported on the 8971, or is it reporting ONLY the remaining, distributable assets to beneficiaries at the time of tax return filing.

A: [If estate liquidated the partnership interests in order to pay the tax, then no need to report on 8971/Schedule A \(because this falls into the exception for property that has been sold\). You mention that the asset was "already distributed". If distributed to a beneficiary, who then sells it in order to pay estate tax for the decedent, the asset would be reportable on the 8971/Schedule A.](#)

25. How to file Form 8971 and Schedule A when the assets as of DOD are sold and beneficiaries receive cash.

A: [Per informal advice received recently from the IRS, no need to file Form 8971 or furnish Schedule A because there are no assets to report to any beneficiaries on a Schedule A when assets are all cash prior to due date of the Form 8971.](#)

26. I understand that the assets will be listed on the 8971 at their fair market value per the 706 so that the basis in the hands of the beneficiaries will be correct. The totals of these amounts will not equal the amounts listed on page 2, part 4 of the 706 where the amount received by beneficiaries will reflect estate expenses

and liabilities. Is there some way to show reconciliation from the 8971 to the amount listed on the 706? Is there some way to show the debt on the assets that are transferred to the beneficiaries?

A: No need to reconcile with the beneficiary amounts shown on Page 2 of the 706, especially because Page 2 of the 706 will typically include cash, IRD, and tangibles worth less than/equal \$3K, none of which is reportable on Schedule A of the 8971.

31. If a 706 was filed on March 21, 2016, when is the 8971 due? Asking because I heard it had been extended a few times. Thanks!

A: June 30, 2016.

32. Question not completed.

33. I believed that Vince's slide said you must report charitable or marital exclusion property on Form 8971, but there is never an alternative basis. Is this correct?

A: If the estate elects alternate valuation, then the estate will report this basis (including marital/charitable property). Remember, marital/charitable is ALWAYS reportable on Schedule A of the 8971 (for an estate that is \$5.45m or larger). It's simply not subject to the "basis consistency" rules, and will ALWAYS have an "N" in Schedule A column C ("Did the asset increase estate tax liability").

34. I'm trying to define what it means when we're talking about "if the property increases the estate tax liability". Is it simply a taxable estate?

A: This relates to Column C of Schedule A of the 8971.

a) Non-taxable estate: answer "N" for ALL assets

b) Taxable estate: answer "Y" for all assets EXCEPT marital/charitable assets

35. Decedent died in Jan and held s-corp stocks of \$10mil. Stocks were sold 6 months after death due to buy-sell agreement. The cash proceeds were used to fund the family trust. Do we have a filing requirement to show the trust receiving the cash?

A: No Form 8971/Schedule A filing requirement on the S Stock or cash since a sale occurred.

36. I have filed a 706, in 2/16, for a decedent who died 06/26/15. I did not file an extension. Now I am realizing an 8971 was due. I had believed, erroneously, that I didn't have to file if the DOD was prior to 07/31/15. Any suggestions on how to file the 8971?

A: Filing by 6/30/16 the Form 8971 and furnishing the Schedule A will be timely.

37. Because IRA account distributions are normally cash and reported on Form 1099-R, do these IRA accounts still need to be reported on Form 8971, Schedule A?

A: If pure cash, no reporting on 8971/Schedule A. Portion that is not cash could be part IRD (not reportable) and part non-IRD (reportable).

38. If the executor who signed the 706 is also the sole heir (not surviving spouse), does she have to file the 8971 and give the Schedule A to herself?

A: Yes, must send self a Schedule A (e-mail is good enough).

39. If a beneficiary receives only cash then this beneficiary does not need to be reported on Form 8971 and Schedule A, Correct?

A: Correct.

40. In reality, most estates are not distributed until after the required filing date due to waiting for IRS

acceptance of values. In that case, where no sales and no distributions made by the time of filing Form 8971, is the requirement to put 100% of each reportable asset on every schedule A attached?

A: Yes, put 100% of all assets (other than the excepted class... IRD, cash etc.) that might be distributed among the group of beneficiaries to each possible recipient.

41. If a beneficiary sells the asset 10 years later... say some land. On the schedule D of their personal return the sale price would be say 1.2 million, for cost basis they will start with the 706 value of say \$800K, however they will also add selling expenses/commissions to the basis. so say the basis ends up at \$835,000. How will the IRS know that we used the 706 basis to start?

A: The beneficiary should start with the basis as reported on Schedule A of the 8971, then adjust the basis as appropriate for selling expenses, commissions, etc. By the way, in the AICPA comments to the IRS for the final regulations, they recommend that the IRS make clear that it is appropriate to attach basis adjustments that arose between death and the furnishing of the Schedule A as an attachment to the Schedule A.

43. Just to confirm, if an Estate has all excluded property, no Schedule A is required, but the Form 8971 is required to be filed. Would Part II of Form 8971 still contain Beneficiary Information or would Part II be left blank?

A: If all assets are excepted from under Sec. 6035, neither Form 8971 nor Schedule A is required. If the assets are excluded from the basis consistency rules (such as 100% marital deduction) on a required estate tax return, then report on Form 8971/Schedule A (but do not include excepted assets (i.e., cash, IRD, etc.)).

48. If assets go into a family trust, and you provide the trustee with form 8791 to the trustee of that trust. The family trust continues until mom dies which is say 10 years later. Now the trust distributes the land inside the trust out the kids. Does the trust have a requirement to report basis information to the beneficiaries or IRS?

A: Good question. The proposed regulation is not as clear as it could be. Paragraph (f) references "distributed or transferred" by gift or otherwise in a transaction in which a related party determines its basis, in whole or part, by reference to the recipient/transferor's basis. The definition of transferor, however, does not appear to include a beneficiary of a trust. It can be argued, therefore, that if the estate furnishes to the trustee a Schedule A listing all of the assets of the trust, then all 8971 reporting requirements as to those assets may done. This should be the case even if the recipient-trustee distributes all of these assets shortly after the decedent's death.

Yet, a policy purpose of the statute and purpose for this provision would be thwarted by that result. Accordingly, the more cautious approach would be for the distributing trustee to file the Form 8971 and furnish Schedule A when making distribution based on the values in a decedent's prior estate. We hope the IRS clarifies this point.

49. What are the reporting requirements for securities held in an inter vivos trust and reported on the 706?

A. The Instructions direct that an executor of an estate or other person(s) required to file Form 706, Form 706-NA or Form 706-A securities under Code section 6018 (a) or (b) or a qualified heir required to file a Form 706-A file the Form 8971 with Schedule A, and furnish Schedule(s) A to beneficiaries.

Accordingly, if there is no executor and the trustee of the living trust filed the estate tax return, the trustee of the living trust files the Form 8971 and furnishes Schedule A. The securities can be listed on Schedule B (or Schedule G) if they are stock or bonds depending on whether they are in a living trust or Schedule E if joint tenancy or Schedule H if within a trust to which the decedent held a general power of appointment. In each of these instances, it will save time if each item is separately listed on the Form 706 with a description that can be transported easily without re-entry into the applicable Schedule A. (The book *Art of the Estate Tax Return* has illustrated Form 706 reporting of these treatments.)

If the trustee of the living trust is the beneficiary of assets distributed from an estate, then see #48.

50. Is the balance of an annuity reverting back to the charitable organization reported on Schedules I & O of Form 706 reportable on Schedule A?

A: If the annuity is all cash, not reportable. If any portion of the annuity is not cash, then reportable on Schedule A to the life tenant and remainderman.

51. Where are the outlines found in the materials that we can download?

A: Strafford received the outline materials from Mr. Schiller and was the second file available for download. If you still cannot locate a copy of Mr. Schiller's outline, contact Michelle Stone of the Schiller Law Group. The contact information is on the PowerPoint.

52. What happens if you don't want the other beneficiaries to see who is receiving what?

A: Consult the estate administration attorney. Good question. The sale of assets before the Form 8971/Schedule A is due reduces the reporting since cash does not need to be disclosed. Possibly, having a requirement to sell assets and distribute cash could achieve the same result... but then that would need to be followed. Also, if the distribution decision is made before the Schedule A is required, then each beneficiary receives only information pertaining to what is distributable to that beneficiary. That will reduce the revealing of more than is needed. You are correct that the reporting can further stir the pot when rancid relationships exist.

54. Sch A to credit shelter trust or to remainder beneficiaries? If assets are going into a trust from the estate/living trust, issue the Schedule A to the trustee of that trust, not the beneficiaries of the trust.

A: Correct.

55. I typically show the brokerage account on Form 706, and include an attachment (run in EstateVal) showing the individual securities. How would you recommend showing numerous securities on the 8971? Is a description such as "various securities, see attachment" acceptable, with a similar EVP report attachment?

A: Excellent question. We received this question, or one like it, from several attendees. We like the use of EstateVal reports as attachments to the estate tax return. Each of the instructors brings individual perspective to this question. The AICPA has requested clarification on how to handle this as well.

Mr. Schiller notes that the Form 8971 presents issues for the use of attachments. Based on informal discussions with Treasury, it is Mr. Schiller's understanding that the Schedule A should list each of the securities separately on the Schedule A rather than referring to an attachment. The IRS is trying to avoid attachments with the basis information needed as it makes their record keeping more difficult. Thus, if all of the securities in the estate tax report are going to a given beneficiary, the IRS will still want the value of each security shown on the face of Schedule A, though reference to an attachment may suffice.

Mr. Lackner offers additional comments and perspective. He notes that apparently the IRS was of two minds on this issue as of sometime in March 2016.

Three scenarios:

- a) Attachment lists securities that all go to a single beneficiary. Should be OK to refer to 706 item, which in turn refers to attachment (which is on the record).
- b) Attachment lists securities that go to various beneficiaries, but all in the same proportions. Should be OK to refer to 706 item (per (a) above).
- c) Attachment lists securities that go to various beneficiaries, in varying proportions. Should report individual securities on Schedule A for each beneficiary. Otherwise, the IRS has no way of knowing which beneficiaries got which portions of which shares.

This should be clarified in final regulations!

The following is a recitation of a post-webinar question and answer that may provide a practical approach for practitioners faced with this common problem. It arises from an email exchange among your speakers and Michael Hagedorn, a CPA in Pasadena, California:

The Problem:

Many accountants and lawyers use the service titled EVP (Estate Value) for looking up date of death values for securities. While you can use a stock's trading symbol for the program to look up that particular stock, the program will go ahead and give the CUSIP number and the date of death value, along with calculating the full value of the security.

Many 706 preparers attach this report to their 706 and enter the total value of the attachment on the applicable schedule in the gross estate.

For Form 8971, some of these people have come forward and wanted to know if they could just go ahead and attach the EVP schedule to Schedule A and Form 8971 instead of typing in the numerous stocks.

The Solution:

Mr. Hagedorn that for the 706 program his office uses, there is a feature whereby you can easily import the EVP report (actually a computer file) into the 706 program. The 706 program will then list each stock as a separate asset, along with the CUSIP numbers, description, number of shares, etc. This same 706 program has now added a Form 8971 feature, whereby it can grab all of the data from the 706 and enter it line by line on Form 8971.

By doing this, each and every security will be listed on separate lines of the schedule, along with all of the information that is asked for on the form.

In order to implement the import function, you must export the file while using the EVP program. You next import the exported file onto the 706 program. Mr. Hagedorn uses Thomson Reuters (One Source). He notes that it is rather easy to do, once you have tried it.

Mr. Lackner offers the following expansion on this point and how he suggests solving the problem using the 6in 1 software program from his firm:

"Thanks for your feedback on EVP-706-8971 integration.

We've been advising our 6-in-1 customers to do exactly what you describe:

- 1) Import EVP data into 6-in-1, so that you get the details of each security into the database.
- 2) Allocate these securities to the beneficiaries who will receive them.
- 3) Navigate to the 8971 by clicking on one button, which will produce the 8971 almost instantaneously.

There are a couple of wrinkles:

A) The customer might have prepared a 706 already, by using one transaction (i.e., Schedule B, Item 1) to refer to the attached EVP list.

B) Pending further guidance from the IRS, my view is that a preparer can "get away" with having that one item populate the 8971 with a single item that refers to it if (i) there is a single beneficiary or (ii) there are multiple beneficiaries but each one gets the same percentage of each security (whether it be 50-50, 60-40, 90-10, etc.).

C) If multiple beneficiaries get varying percentages of the various securities, I think that there is no alternative but to enter the individual securities (and beneficiary allocations) into the software so that Schedule A of the 8971 will reflect this level of detail (without referring to any attachments).

D) If a firm has prepared a 706 with an item referring to an EVP attachment, it might choose to show the detail on the 8971 (certainly in case C above, and perhaps also in Case B above). With our software, it could still import the EVP file and turn off the 706 result for each security. The detail will still appear on the 8971. It can even import EVP data produced by someone else (bank, brokerage house, etc.) if the 8971 preparer can get the EVP file and put it into the right place on the preparer's computer.

E) We provide an item number override, so that every security on the 8971 could refer to the same schedule/item on the 706 that refers to the EVP attachment. We even modified the software just last week

by changing the item number override field from number format to text format. This allows a preparer to enter an item number such as "1-8" (referring to 706 item #1, EVP item #8).

Integrating the 706 with the 8971 takes a fair amount of balancing, because of:

I. Exceptions to 8971 reporting (cash, IRD, tangible of \$3K or less, sales)

II. Allocation of specific residuary assets (never needed for 706 preparation).

III. Marking of non-marital/non-charitable assets as increasing estate tax liability (or not).

IV. Making sure that downstream partial sales of assets are not reflected in the allocation to beneficiaries for 8971 purposes.

V. Handling alternate valuation, where partial sales and partial distributions will affect the basis of unsold assets to be allocated to beneficiaries on the 8971.

VI. Allowing the allocation of assets to beneficiaries to be handled as percentages (of unsold assets), dollar figures, or number of units.

VII. Allowing the allocation of an odd lot of units to one or more beneficiaries, then the balance in equal shares to the remaining beneficiaries. When we had several customers with 100 or more securities each being allocated to six or more beneficiaries, we added the ability to perform these allocations across all securities automatically, once the bare minimum of information is entered (i.e., the odd-lot allocation of units to one or two beneficiaries for each security). This by itself eliminates 80-90% of the data entry, depending on how many beneficiaries there are."

56. Slide 11 should be corrected to reflect Form 8971 vs. Form 8791 for first entry.

A: You are correct. Transposition on Chart #11 in upper right corner. Need to fix.

57. To clarify, if you've not used EstateVal, it shows the CUSIP and other required information and is the software IRS uses to audit security values on 706s.

A: Yes, Estate Val provides the required information for the Form 706. The IRS uses this service and I have had it accepted in Appeals when an issue arose with the value of the publicly traded securities.

59. So if you have a 10 million taxable estate, but the estate converts everything to cash. There would be no 8971 since cash is an excluded item, correct?

A: Correct, no 8971. Do the sale before the due date to avoid penalty assertion or fight over its application.

60. Take an estate with real estate for sale and there is no intent to distribute the real estate. The property does not sell until after the filing deadline of 8971. File 8971 but no Sch A?

A: The Form 8971 and Schedule A are both needed since the sale occurred after the due date for the filing and furnishing of these forms. If, on the other hand, the Will or living trust directs that the real estate must be sold, the executor/trustee may be justified in not filing and furnishing the Form 8971. However, even in this context the avoidance of the requirement to file the Form 8971 and furnish Schedule A is not totally clear. If for some reason, despite the language in the Will/trust the property is, in fact distributed, a Form 8971/Schedule A filing would be needed in that setting. Hopefully such filing would be done as a supplemental and not initial filing. I do not, in any event, recommend holding off timely filing of the Form 8971 and issuance of Schedule A beyond the due date because a discretionary or merely "intended" sale may later occur. I believe that would not be compliant and penalties would be asserted. The AICPA has requested leeway to allow for the executor to provide disclosure that bequests will be funded in cash to avoid the reporting requirement to that extent.

61. We have to list marital deduction/charitable deduction property? I thought we didn't have to file for that.

A: Assets included in the gross estate that FULLY qualify for the estate tax marital deduction and charitable deduction are not subject to the basis consistency rules. However, if the estate tax return is required under IRC Sec. 6018 then all marital deduction property and all charitable deduction property must be included in

the Form 8971/Schedule(s) A reporting and furnishing. There is an inconsistency in the rules here between basis consistency requirements and reporting requirements.

Three "big ideas" on Basis Consistency (1.1014-10) and Form 8971 (1.6035-1):

1) Are the gross estate/adjusted taxable gifts large enough to require a 706 AND 8971 (same test, currently \$5.45m)?

2) If yes to #1, are 706 assets (including marital/charitable deduction property) reportable on Schedule A of the 8971? NO if cash, IRD, tangible worth \leq \$3K, or sold property. YES for all other 706 assets.

3) If yes to #2, is property reported on Schedule A subject to "basis consistency"?

(a) Non-taxable 706: NEVER (for any property). Enter "N" in Column C of Schedule A.

(b) Taxable 706:

(i) Marital/charitable property. NEVER (Enter "N" in Column C of Schedule A)

(ii) Other property: YES (Enter "Y" in column C of Schedule A.

The tests for "being subject to basis consistency" and "increases estate tax liability" are IDENTICAL.

62. Not applicable.

63. Is there a time limit for filing a supplemental 8971? Supplemental returns are due 30 days after the event giving rise to the supplementing.

A: In the context of an omitted or after-discovered asset, the supplemental Form 706 must be filed within the statute of limitations period AND the Form 8971/Schedule A must be filed and furnished within that statute of limitations period. If supplemental 706 is not filed within statute of limitations period, and omitted/after-discovered property is not marital or charitable deduction property, then beneficiary gets a zero basis under the proposed regulations. Filing an 8971/Schedule A at that point may not matter. Consider a ruling request if this situation arises.

65. Please clarify Sched A reporting for 706 EVPS attachments with many securities.

A: See #55.

66. If filing a 706 only for the purpose of portability, do you need to file 8971?

A: No.

67. Would you confirm that you would attach an EVP report if there is a substantial number of securities going to the same beneficiary?

A: See #55.

70. If you have a company with a valuation that includes nonrecourse debt, do you have to report differently on the 706 vs. 8971 and Schedule A?

A: First, if you have a corporation that has non-recourse debt, the debt is part of the asset value and not separately shown. Use the stock value.
Second, if you have real property with non-recourse debt owned by the decedent, report the value on the Schedule A to the Form 8971 at the full value, not the net asset value. There is an example in the proposed regulations on point.
Third, if the non-recourse debt is in the partnership and adds to basis, the 706 will have the net value and you should use the increased value with the debt on Schedule A. I suggest attaching a disclosure of how this computation is made.

71. If you have a brokerage account with a myriad of stocks, bonds, etc, can you list the total value of the

account on the Sch A or do you have to report each individual asset within the brokerage account on the Sch A?

A: [See #55](#).

73. I assume that a specific bequest that is paid in cash out of the value of a partnership would not be filed on the schedule A of the 8971 ... correct? If paid in cash, this asset is excepted from 8971/Schedule A reporting.

A: The term "specific bequest" normally refers to a particular property as oppose to the residue or a monetary amount (pecuniary gift). I gather here that rather than satisfying a specific property gift the beneficiary received cash and not the partnership interest. Since the Form 8971/Schedule A is concerned about basis consistency, then as to that beneficiary, he/she did not receive the specific asset on which basis would be relevant; rather, that beneficiary received cash. If that was the case, then as to that particular beneficiary the partnership interest bequeathed to him/her would not be shown on Schedule A since that beneficiary did not receive the partnership interest.

74. Ok, I see from your chart that it's due on June 30, 2016, is that correct?

A: [Correct, no 8971s are due before June 30, 2016](#).

75. Was the reconciliation between the 706 and the 8971 separately prepared and does it get filed with the 8971 or anywhere? Just for our workpapers?

A: [Just for your workpapers. Mr. Lackner's software provides these reconciliation \(or "variance"\) reports automatically.](#)

76. If you have personal effects in aggregate more than \$3K but individually less than \$3K, do you need to list the aggregate amount or only those assets of the total value that exceed \$3K?

A: [Report on Schedule A only those individual personal effects worth more than \\$3K \(because they are subject to an appraisal, and thus do not fall into the exceptions from Schedule A reporting\).](#)

77. You never touched on depreciation post-death? Is this for business properties distributed?

A: [Normally you may depreciate only business-related property. So yes, post-death depreciation of this type should be reflected in the adjusted basis reported to beneficiaries on Schedule A \(not in Column E, but in the body of the description or as an attachment\). The AICPA, by the way, has requested clarification to have a consistent means to inform \(optionally\) the beneficiary of exchange in basis.](#)

78. How can we get Marty's disclaimer language and the other attachments that don't seem to be in the handout?

A: [Strafford will include the disclaimer language with these questions and answers.](#)

79. If you have a fractional funding QTIP/credit shelter trust division, then do you need to send a Schedule A to the QTIP/marital before you know who is receiving what?

A: [You should provide Schedule A to the trustee\(s\) of those trusts. At that point, we believe that your 8971 reporting requirements are done with respect to that decedent's estate. There is apparently no requirement to supplement the 8971 for later distributions by those trusts to anyone else. The proposed regulations provide that you "may" further supplement while the Instructions state that the executor "should" supplement.](#)

80. Is "Applied For" an acceptable beneficiary TIN for Schedule A purposes. The beneficiary is trust that will not be funded for a while.

A: ["Applied for" \(just like "none" or "unknown"\) would not be acceptable, and could subject the filer to penalties. See 8971 Instructions, Page 3, Part II, Column B explanation \(middle column\). The AICPA has requested leeway on this point.](#)

81. Please re-explain increases tax liability?

A: See #34 and #61.

82. Not applicable (but a really nice note to the instructors none the less.)

83. When the only distributable assets are in a decedent created revocable trust is the trustee the only recipient that needs to receive a Schedule A? Would the assets in the trust have to be reported individually?

A: Yes, the trustee is the only recipient of Schedule A, which should list each security individually. If, however, the 706 listed the trust property by reference to an attachment (EVP/Estate Val, for example), then it should be sufficient to list one item on Schedule A that refers to the corresponding item number on the 706, which in turn refers to the attachment. The IRS should address this specific question in the final regulations. See item #55 for further comment and the request for clarification on this point.

84. If you are required to file a 706-NA & 706-QDT with identical assets do you file 2 8971s?

A: We do not see that the Form 706-QDT is referenced within the filing for Form 8971. It is referenced for the Form 706-NA. The Form 706-QDT is not referenced in the Instructions to Form 8971 to which the Form 8971 applies. We have raised this question with the Treasury.

85. So for estates with Marital or Charitable property, the assets are listed on the 8971, but no Sched A is necessary for those assets?

A: Schedule A IS required (except to the extent that any of the Marital/Charitable property consists of cash, IRD, tangible worth ≤ \$3K, or sold property). Being "Marital" or "Charitable" has no bearing on the reportability of the asset on Schedule A of the 8971. It affects only whether (a) the property is subject to basis consistency and (b) how you answer the Column C question "Does the asset increase estate tax liability". The answer to that question for Marital/Charitable property that makes it to Schedule A is always "N".

86. We have a \$12M gross estate. \$10M to charity, \$2M to individuals, do we still file an 8971.

A: Yes. The only relevance of the \$10M to charity is that it brings the estate to a non-taxable level. It has no bearing on the reportability of assets (including charitable assets) on Schedule A.

Result:

a) Furnish Schedule A to charity. Answer "N" to "increase estate tax liability" question.

b) Furnish Schedule A to individual. Answer "N" to "increase estate tax liability" question. If you didn't have the \$10m charitable deduction, then you would answer "Y" to this question (because this estate is now taxable).

87. If all assets on 706 were sold after filing return but before due date of 6/30/16, is an 8971 required?

A: No.

88. What about a 706 which is audited with changed values -what is the requirement to send beneficiaries revised Sch A's?

A: Yes, file and furnish supplemental 8971 and supplemental Schedules A.

89. We have an EVP report for DOD but technically, some assets were sold in the estate do we need to update the EVP report and specifically identify or can we still use the EVP report from DOD.

A: First, see question and answer #55. Next, because the portions of each asset that were sold will probably vary, you should report the specific assets (and the beneficiary's fractional share of each entire asset before the partial sales) on Schedule A of Form 8971. I see no other way to inform the IRS of the basis for each asset distributed to the beneficiary.

Thus:

706, Schedule B

1 400 shares of Apple 200,000

Sold 300 shares

Schedule A of Form 8971:

Form 706, Schedule B, Item 1

100 shares of Apple, Inc 50,000
Beneficiary interest: 25%

90. Gross estate of \$8M, \$7.9 in IRA payable to spouse, \$100k to grandkids. What if any reporting requirements?

A: Report \$100K to grandkids on Schedule A (if not excluded because cash, IRD, tangible \leq \$3K, or sold assets). Report the portion of the IRA on Schedule A to the extent that it's not cash or IRD. The fact that it's payable to the spouse does not affect its reportability on Schedule A. It's the nature of the property. The AICPA has requested clarification on the reporting of assets with partial IRD and partial basis.

91. Just to clarify - if multiple beneficiaries receive Schedule A's showing 100% value of assets that they MIGHT receive, will an updated Schedule A be required later on when those assets are actually distributed?

A: Per the 8971 Instructions, "should be filed" (Page 3, right column, end of first full paragraph under "Schedule A"). Per the Proposed Regulations, "may but...not required" (Page 37, bottom). It would appear that the regulations should supersede the instructions (because later), but not even the instructions make it mandatory.

92. Can successor trusts, to receive after the death of a current trust beneficiary, be included on Sch. A to avoid filing supplemental filing?

A: See #48.

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