Table of Contents

TAB 1: What’s New 1

Inflation Adjusted numbers 1

Gift Tax Return – Form 706 3

Gifts 4

Annual Gift Exclusion 7

Generation Skipping Tax 7

Who Must File a Gift Tax Return 8

When to File 10

Where to File 10

Amending a Form 709 10

Penalties 10

Disclosures 11

Qualified Tuition Programs (529 Plans or Programs) 11

Reporting the Gifts 12

Reporting Prior Gifts 13

Instructions for Worksheet for Sch B, Column (Credit Allowable for Prior Periods) 14

Worksheet for Sch B, Column (c) (Credit Allowable for Prior Periods) 14

Examples 1 & 2 15

Examples 3 &4 16

Interaction of the Estate and Gift tax exemptions 16

Donee Basis in Gifted Assets 17

Table of Basic Exclusion and Credit Amounts 19

Portability of DSUE Amount 20

Table for Computing Gift Tax 21

Filing Instructions for the Form 709 22

Part III – Spouse’s Consent on Gifts to Third Parties 23

When the Consenting Spouse Must Also File a Gift Tax Return 24

Schedule A. Computation of Taxable Gifts 25

Form 709 29

TAB 2: Estates 38

The Probate Process 38

Wills 40

Trusts 42

Personal Representative 43

Titling of Property and Beneficiary Designations 44

Four Unities of a Joint Tenancy 45

The POD/TOD Trap 50

Disclaimers 52

TAB 3: Adjustment to Basis – Step Up 54

TAB 4: Income with Respect to a Decedent 55

TAB 6: FORM 706, United States Estate (and Generation-Skipping Transfer) Tax Return 57

Form 4768 63

Paying the Tax 64

Amending Form 706 67

Supplemental Documents 67

Penalties 68

Consistent Basis Reporting 69

Gross Estate 69

Income in Respect of a Decedent 71

TAB 7: Preparation of Form 706 72

Professional appearance 73

Contents of Form 706 74

TAB 8: FORM 706 – SCHEDULES 76

SCHEDULE A – REAL ESTATE - §2033 76

Schedule A-1 – Section 2032A Valuation 78

Schedule A-1 Instructions 81

Checklist for Section 2032A Election 84

Checklist for Section 2032A Election Cont 85

Estate of Larry Lizard 86

SCHEDULE B – STOCKS AND BONDS 88

SCHEDULE C – MORTGAGES, NOTES AND CASH 97

Schedule D – Proceeds of Life Insurance - §2042 101

Form 712 105

SCHEDULE E – JOINTLY OWNED PROPERTIES - §2040 106

SCHEDULE F – OTHER MISCELLANEOUS PROPERTY 110

Example of Effective Discount 112

SCHEDULE G – TRANSFERS DURING DECEDENT’S LIFE 116

SCHEDULE H – POWERS OF APPOINTMENT 123

SCHEDULE I – ANNUITIES - §2039 126

SCHEDULE J – FUNERAL EXPENSES 132

SCHEDULE K – DEBTS OF DECEDENT, AND MORTGAGES AND LIENS 138

SCHEDULE L – NET LOSSES DURING ADMINISTRATION AND EXPENSES 143

SCHEDULE M – BEQUESTS, ETC., TO SURVIVING SPOUSE - §2056 146

Life estate with power of appointment in the surviving spouse 149

Charitable remainder trusts 150

Election to deduct Qualified Terminable Interest Property (QTIP) 150

Completion of form 151

SCHEDULE O – CHARITABLE BEQUESTS - §2055 157

SCHEDULE P – CREDIT FOR FOREIGN DEATH TAXES 162

Form 706-CE 164

SCHEDULE Q – CREDIT FOR TAX ON PRIOR TRANSFERS - §2013 166

SCHEDULE R-1 – GENERATION-SKIPPING TRANSFER TAX 170

Determining which Transfers are Direct Skips 170

Interests in property 171

Skip persons 171

Determining the generation of a transferee 171

Generation Assignment when Intervening parent is deceased 172

Dividing Direct Skips Between Schedule R and R-1 174

Generation Skipping Tax Reconciliation 175

Generation Skipping Tax Exemption Chart 176

Special QTIP election 177

Allocation of the unused Generation Skipping Tax Exemption 177

SCHEDULE U – QUALIFIED CONSERVATION EASEMENT EXCLUSION 184

General Requirements 184

Qualified Conservation Easement 185

Limitations 186

Reporting the value of the easement on Line 10 187

Charitable Contribution Deduction on Schedule O 188

Reduction for Acquisition Indebtedness 188

SCHEDULE PC – PROTECTIVE CLAIM FOR REFUND 190

Initial Notice of Claim 190

Notice of Final Resolution of Claim 191

Specific Instructions 192

CONTINUATION SCHEDULE 198

TAB 9: FORM 706 200

PART 1 200

PART 1 - Information regarding the decedent and executor 201

FORM 706 - PART 2 – Tax Computation 203

Worksheet TG – Taxable Gifts Reconciliation 205

Line 7 Worksheet 207

Line 6 – Tentative Tax on amount Line 5 from Table A in the instructions 208

Table of Basic Exclusion Amounts 209

Line 9a through 9e – Applicable Credit Amount 210

Line 14, Credit for tax on prior transfers (from Schedule Q) 211

Line 15, Total Credits 211

FORM 706, PART 3 – Elections by the Executor 213

Line 1, Alternate Valuation 213

Line 2, Special-Use Valuation 218

Qualified Real Property 219

Qualified use 219

Ownership 219

Structures and other real property improvements 219

Property acquired from the decedent 219

Qualified heir 220

Material Participation 220

Surviving spouse 221

Valuation Methods 221

Gross cash rental 222

Comparable property 222

Effective interest rate 223

TABLE OF INTEREST RATES (Year of Valuation 2025) 223

Valuing a real property interest in a closely held business 224

Making the election 224

Protective Claim 225

Checklist for Section 2032A Election 226

Line 3, Section 6166 Installment Payments 228

Bond or lien 228

Percentage requirements 228

Interest 231

Making the election 231

Line 4, Reversionary or Remainder Interests Section 6163 232

FORM 706 - PART 4 – General information 235

Authorization 235

Lines to be Filled Out 235

Worksheet TG and Line 4 Worksheet 238

FORM 706 - PART 5 – Recapitulation 244

Items 1 through 9 244

Filing for Portability of the Deceased Spouse’s Unused Exemption 245

Table of Estimated Values 246

Deductions — Items 14 through 23 247

FORM 706 - PART 6 – Portability of Deceased Spousal Unused Exemption 250

Making the election 250

Opting Out 251

Computing the Deceased Spousal Unused Exemption amount 251

Special rule- value of certain property not required on Form 706 252

Specific instructions 252

CHECKLIST FOR COMPLETING FORM 706 254

Form 8971 255

When to File 255

Where to File 256

Form 8971 and Schedules A 256

Part II Beneficiary Information 257

Form 8971 Example 258

Schedule A, Form 8971 261

REQUEST FOR DISCHARGE FROM PERSONAL LIABILITY FOR TAX 265

Estate Tax Closing Letters 267

DRAFT FORM 706 – 2025 269