

26 U.S. Code § 1014 - Basis of property acquired from a decedent

- (a) IN GENERAL Except as otherwise provided in this section, the basis of property in the hands of a person acquiring the property from a decedent or to whom the property passed from a decedent shall, if not sold, exchanged, or otherwise disposed of before the decedent's death by such person, be
 - (1) the fair market value of the property at the date of the decedent's death,
 - (2) in the case of an election under section 2032, its value at the applicable valuation date prescribed by such section,
 - (3) in the case of an election under section 2032A, its value determined under such section, or
 - (4) to the extent of the applicability of the exclusion described in section 2031(c), the basis in the hands of the decedent



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 - (3) in the case of an election under section 2032A, its value determined under such section, or
 - (4) to the extent of the applicability of the exclusion described in section 2031(c), the basis in the hands of the decedent

(c) PROPERTY REPRESENTING INCOME IN RESPECT OF A DECEDENT

This section shall not apply to property which constitutes a right to receive an item of income in respect of a decedent under section 691.

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(f) Basis must be consistent with estate tax return for purposes of this section—

- (1) IN GENERAL The basis of any property to which subsection (a) applies shall not exceed
 - (A) in the case of property the final value of which has been determined for purposes of the tax imposed by chapter 11 on the estate of such decedent, such value, and
 - (B) in the case of property not described in subparagraph (A) and with respect to which a statement has been furnished under section 6035(a) identifying the value of such property, such value.



(f) Basis must be consistent with estate tax return for purposes of this section—

- (1) IN GENERAL The basis of any property to which subsection (a) applies shall not exceed—
 - (A) in the case of property the final value of which has been determined for purposes of the tax imposed by chapter 11 on the estate of such decedent, such value, and
 - (B) in the case of property not described in subparagraph (A) and with respect to which a statement has been furnished under section 6035(a) identifying the value of such property, such value.

(2) EXCEPTION

Paragraph (1) shall only apply to any property whose inclusion in the decedent's estate increased the liability for the tax imposed by chapter 11 (reduced by credits allowable against such tax) on such estate.



IRC Section 1014(f)(3) and (4)

- (3) DETERMINATION For purposes of paragraph (1), the basis of property has been determined for purposes of the tax imposed by chapter 11 if—
 - (A) the value of such property is shown on a return under section 6018 and such value is not contested by the Secretary before the expiration of the time for assessing a tax under chapter 11,
 - (B) in a case not described in subparagraph (A), the value is specified by the Secretary and such value is not timely contested by the executor of the estate, or
 - (C) the value is determined by a court or pursuant to a settlement agreement with the Secretary.

(4) REGULATIONS

The Secretary may by regulations provide exceptions to the application of this subsection.



2017 Green Book Proposals:

General Explanations
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EXPAND REQUIREMENT OF CONSISTENCY IN VALUE FOR TRANSFER AND INCOME TAX PURPOSES

Current Law

Section 1014 provides that the basis of property acquired from a decedent generally is the fair market value of the property on the decedent's date of death. Similarly, property included in the decedent's gross estate for estate tax purposes generally must be valued at its fair market value on the date of death. Although the same valuation standard applies to both provisions, until the enactment on July 31, 2015, of the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 (the Act), there was no requirement that the recipient's basis in that property be the same as the value reported for estate tax purposes. This Act amended section 1014 to provide generally that the recipient's initial basis in property as determined under section 1014 cannot exceed the final value of that property for estate tax purposes. This consistency requirement applies to property whose inclusion in the decedent's gross estate increases the estate's liability for federal estate tax.

Reasons for Change

Because the consistency requirement enacted in 2015 applies only to the particular items of property that generate a federal estate tax, the requirement does not apply to property transferred by gift, or to property that qualifies for the estate tax marital or charitable deduction, or to any property of an estate with a total value that does not exceed the applicable exclusion amount (\$5,450,000 for 2016). Although the exclusion of property given on death to charities (tax exempt organizations) has only a minimal impact for income tax purposes, there is a possible effect on the annual excise tax imposed on certain such organizations. However, the exclusion from the application of the consistency requirement of property qualifying for the estate tax marital deduction is significant because an unlimited amount of property may qualify for the estate tax marital deduction in a decedent's estate tax proceeding. Although it is true that the value of such property passing to the decedent's surviving spouse may be increased without incurring any federal estate tax, and a high estate tax value provides a high cap on the recipient's permissible basis, current law contains provisions to prevent an inaccurately high estate tax valuation. Specifically, the executor certifies to the accuracy of the information on the estate tax return under penalties of perjury, and significant underpayment penalties are imposed on the understatement of capital gains and thus income tax that would result from an overstatement of basis.



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General Explanations of the Administration's Fiscal Year 2017 Revenue Proposals



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EXPAND REQUIREMENT OF CONSISTENCY IN VALUE FOR TRANSFER AND INCOME TAX PURPOSES

Proposal

The proposal would expand the property subject to the consistency requirement imposed under section 1014(f) to also include (1) property qualifying for the estate tax marital deduction, provided a return is required to be filed under section 6018, even though that property does not increase the estate's federal estate tax liability, and (2) property transferred by gift, provided that the gift is required to be reported on a federal gift tax return.

The proposal would be effective for transfers after the year of enactment.



(f) Basis must be consistent with estate tax return for purposes of this section—

- (1) IN GENERAL The basis of any property to which subsection(a) applies shall not exceed—
 - (A) in the case of property the final value of which has been determined for purposes of the tax imposed by chapter 11 on the estate of such decedent, such value, and
 - (B) in the case of property not described in subparagraph(A) and with respect to which a statement has been furnished under section 6035(a) identifying the value of such property, such value.

(2) EXCEPTION

Paragraph (1) shall only apply to any property whose inclusion in the decedent's estate increased the liability for the tax imposed by chapter 11 (reduced by credits allowable against such tax) on such estate.



§ 6035 - Basis information to persons acquiring property from decedent

- (a) Information with respect to property acquired from decedents
- (1) In general The executor of any estate required to file a return under section 6018(a) shall furnish to the Secretary and to each person acquiring any interest in property included in the decedent's gross estate for Federal estate tax purposes a statement identifying the value of each interest in such property as reported on such return and such other information with respect to such interest as the Secretary may prescribe.

§ 6035 - Basis information to persons acquiring property from decedent

- (a) Information with respect to property acquired from decedents
- (1) In general The executor of any estate required to file a return under section 6018(a) shall furnish to the Secretary and to each person acquiring any interest in property included in the decedent's gross estate for Federal estate tax purposes a statement identifying the value of each interest in such property as reported on such return and such other information with respect to such interest as the Secretary may prescribe.
- (2) Statements by beneficiaries Each person required to file a return under section 6018(b) shall furnish to the Secretary and to each other person who holds a legal or beneficial interest in the property to which such return relates a statement identifying the information described in paragraph (1).



IRC §1014(f) and IRC §6035 Differences in when applicable

Do not confuse when the IRC §6035 reporting applies (whenever an estate tax return is required to be filed) with when IRC §1014(f) applies (only applicable to "property whose inclusion in the decedent's estate increased the [estate tax liability] of such estate").



Estates to which this reporting requirement applies

Not tied into date of death.



Due Date

- §6035 Basis information to persons acquiring property from decedent
- (3) Time for furnishing statement -
- (A) In general Each statement required to be furnished under paragraph (1) or (2) shall be furnished at such time as the Secretary may prescribe, but in no case at a time later than the earlier of—
- (i) the date which is 30 days after the date on which the return under section 6018 was required to be filed (including extensions, if any), or
- (ii) the date which is 30 days after the date such return is filed.

IRS Notice 2015-57

Due Dates for Compliance with §2004 of H.R. 3236, Consistent Basis Reporting Between Estate and Person Acquiring Property from Decedent

Notice 2015-57

SECTION 1: PURPOSE

On July 31, 2015, the President of the United States signed H.R. 3236, *Surface Transportation and Veterans Health Care Choice Improvement Act of 2015* (P.L. 114-41), into law. Section 2004 of H.R. 3236 enacted sections 1014(f) and 6035. For each statement required by section 6035 to be filed with the Internal Revenue Service (IRS) or furnished to a beneficiary before February 29, 2016, this notice delays until February 29, 2016, the due date for filing or furnishing that statement. This notice applies to executors of estates of decedents and to other persons who are required under section 6018(a) or (b) to file a return if that return is filed after July 31, 2015.

IRS Notice 2016-19

Date for Compliance with Consistent Basis Reporting Between Estate and Person Acquiring Property from Decedent

Notice 2016-19

SECTION 1: PURPOSE

On July 31, 2015, the President of the United States signed into law the *Surface Transportation and Veterans Health Care Choice Improvement Act of 2015*, Public Law 114-41, 129 Stat. 443 (Act). Section 2004 of the Act added new sections 1014(f) and 6035. On August 21, 2015, the Treasury Department and the IRS issued Notice 2015-57, 2015-36 IRB 294. That notice delayed until February 29, 2016, the due date for any statements required under section 6035(a)(3)(A) to be provided before February 29, 2016. This notice provides that executors and other persons required to file or furnish a statement under section 6035(a)(1) or (a)(2) before March 31, 2016, need not do so until March 31, 2016. This notice is being issued in order to provide executors and such other persons the opportunity to review the proposed regulations to be issued under sections 1014(f) and 6035 before preparing a Form 8971 and any Schedule A.

IRS Notice 2016-19

SECTION 3: GUIDANCE

Statements required under sections 6035(a)(1) and (a)(2) to be filed with the IRS or furnished to a beneficiary before March 31, 2016, need not be filed with the IRS and furnished to a beneficiary until March 31, 2016. The Treasury Department and IRS recommend that executors and other persons required to file a return under section 6018 wait to prepare the statements required by section 6035(a)(1) and (a)(2) until the issuance of proposed regulations by the Treasury Department and the IRS addressing the requirements of section 6035. The Treasury Department and the IRS expect to issue proposed regulations under sections 1014(f) and 6035 very shortly.

Form 8971

Form 89	of the Treasury		ntion Regar	y Fron	n a Dece	dent	nam#074	OMB No	1545-2264
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		and Executor Informati	on		2 Decedent	's date of de	oth 3 Don	edent's S	eu
1 Decedent's name					2 Deceden	s date of de	ath 3 Dec	l l	SIA
4 Ехеси	itor's name (see instructions)		5 Executor	6 Exe	6 Executor's TIN			
	rtor's addres r foreign pos	s (number and street includi tal code)	ng apartment or	suite no.	; city, town, o	or post office	; state or pro	wince; co	untry; and
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9 If the	estate electe	d alternate valuation, indica	te the alternate v	aluation	date:				
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	nation reques	es received (or are expected sted below. If more space is				he requested	For each be information		
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beneficia	ary. Only Scho	ith a copy of each completed edule A of Form 8971 should of perjury, I declare that I have exam	be provided to the	ne IRS. T e benefic	o protect priv ary. Retain co	pies of all for	ms for the es	tate's rec	ords.
Sign be	silef, all informat	ion reported herein is true, correct, a	nd complete.						
/	Signature of					Date			
May the IR		return with the preparer shown preparer's name	Preparer's signature		* * * * *	Date	Check	PTIN	s No
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For Privac	y Act and Pag	perwork Reduction Act Notice	, see the separate	e instruct	ions.	Cat. No. 37	hone no. 7794V	Form	8971 (1-2016

Schedule A

orm 8971	(1-2016)							
SCI	HEDULE A—Information Re	garding Benef	iciaries Acc	quiring Pro	perty Fro	m a Decedent		
	► Information about Form 8971 (including	ng Schedule A) and its	separate instruc	ctions is at www	v.irs.gov/form6	971.		
Check b	ox if this is a supplemental filling		F					
art 1	General Information							
Decede	int's name	2 Decedent's SSN 3 Beneficiary's name			4 Beneficiary's Tit			
Execute	cutor's name 6 Executor's					phone no.		
Execut	or's address							
art 2	. Information on Property A	cquired						
A	В			С	D	E		
Item No.	Description of property acquired from th number where reported on the decedent Generation-Sikipping Transfer) Tax Retu interest in the property, indica	t's Form 706, United St im. If the beneficiary ac	Did this asset increase estate tax liability? (Y/N)	Valuation Date	Estate Tax Value (in U.S. do(lers)			
	Form 706, Schedule	, Item						
1	Description —							

Notice to Beneficiaries:

You have received this schedule to inform you of the value of property you received from the estate of the decedent named above.

Retain this schedule for tax reporting purposes. If the property increased the estate tax liability, Internal Revenue Code section 1014(f) applies, requiring the consistent reporting of basis information. For more information on determining basis, see IRC section 1014 and/or consult a tax professional.

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Instructions for Form 8971 and Schedule A



(January 2016)

Information Regarding Beneficiaries Acquiring Property From a Decedent

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 8971 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form8971.

General Instructions

Purpose of Form

The Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 requires executors of an estate and other persons who are required to file Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return; Form 706-NA, United States Estate (and Generation-Skipping Transfer) Tax Return Estate of nonresident not a citizen of the United States; or Form 706-A, United States Additional Estate Tax Return; to report the final estate tax value of property distributed or to be distributed from the estate, if the estate tax return is filed after July 2015. Form 8971, along with a copy of every Schedule A, is used to report values to the IRS. One Schedule A is provided to each beneficiary receiving property from an



Provide each beneficiary only with a copy of that beneficiary's own Schedule A. Do not provide a copy of the Form 8971 with or without attached Schedule(s) A to any beneficiary.

Certain property received by a beneficiary may be subject to a consistency requirement, meaning that the beneficiary cannot use a value higher than the value reported on Schedule A as the beneficiary's initial basis in the property.

Who Must File

An executor of an estate or other person(s) required to file Form 706 or Form 706-NA under sections 6018(a) and 6018(b) or a qualified heir required to file Form 706-A under section 2032A, if the return is filed after July 2015, and whether or not that form is filled timely, is required to file Form 8971 with attached Schedule(s) A with the IRS and to provide each beneficiary listed on the Form 8971 with that beneficiary's Schedule A.

The filing requirement for Form 8971 does not apply to an executor of an estate that is not required to file an estate tax return because the gross estate plus adjusted taxable gifts is less than the basic exclusion amount, but who does so for the sole purpose of making an allocation or election respecting the generation-skipping transfer tax. See the Instructions for Form 706, Form 706-NA, or Form 706-A for more information on the filing requirement for those forms.

When To File

Form 8971 (including all attached Schedule(s) A) must be filed with the IRS and only the Schedule A is to be provided to the beneficiary listed on that Schedule A, no later than the earlier of:

- . The date that is 30 days after the date on which Form 706, Form 706-NA, or Form 706-A is required to be filed (including extensions) with the IRS; or
- The date that is 30 days after the date Form 706, Form 706-NA, or Form 706-A is filed with the IRS.

If the first Form 706, Form 706-NA, or Form 706-A is filed both after the form's due date (including extensions) and after July 2015, the Form 8971 and Schedule(s) A are due 30 days after the

Form 8971 is a separate filing requirement from the estate's Form 706, 706-NA, or 706-A, and should not be attached to the respective estate tax return. The 8971 and attached Schedule(s) A must be filed with the IRS, separate from any and all other tax returns filed by the estate.

Note. Notice 2015-57, 2015-36 I.R.B. 294, available at www.irs.gov/irb/ 2015-36 IRB/ar12.html, made February 29, 2016, the due date for:

- All Forms 8971 (including the attached Schedule(s) A) required to be filed with the IRS after July 31, 2015, and before February 29, 2016; and
- All Schedules A required to be provided to beneficiaries after July 31, 2015, and before February 29, 2016.

Where To File

File Form 8971 (including all Schedule(s) A) at the following address.

> Department of the Treasury Internal Revenue Service Center Mail Stop #824G Cincinnati, OH 45999

A beneficiary can be provided Schedule A:

- In person to an individual beneficiary, to the trustee(s) of a beneficiary trust, or to the executor(s) of a beneficiary estate;
- By email;
- By U.S. mail to the beneficiary's last known address; or
- By private delivery service to the beneficiary's last known address (see

The executor of the estate (or other person required to file) must certify on Form 8971, Part II, Column D, the date on which Schedule A was provided to each beneficiary and should keep proof of mailing, proof of delivery, acknowledgment of receipt, or other information relevant for the estate's records. In cases where a trust or another estate is a beneficiary and has multiple trustees or executors, providing Schedule A to one trustee or executor is enough to meet the requirement.

Private delivery services. Certain private delivery services designated by the IRS may be used to meet the "timely mailing as timely filing" rule for tax returns. These private delivery services include only the following.

- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, FedEx International First, FedEx First Overnight, FedEx International Next Flight Out, and FedEx International Economy.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, UPS Worldwide Express, and UPS Next Day Air Early AM.

The private delivery service can tell you how to get written proof of the mailing date

Jan 28, 2016

Cat. No. 68440S

Supplemental Forms 8971 and Schedules A

The value of the property to be reported on the initial Form 8971 and the attached Schedules A is the fair market value of the asset as reported on the estate tax return. However, the final value for purposes of the federal estate tax may differ from that reported on the estate tax return. A value is considered "final" when:

- The value of the property shown on an estate tax return filed with the IRS is not contested by the IRS before the period of assessment expires:
- The value of the property is specified by the IRS and is not timely contested by the estate (or other person required to file under section 6018(b)); or
- The value of the property is determined by a court or pursuant to a settlement agreement with the IRS, including the resolution of a claim for abatement or refund.

If information reported on Form 8971 and the Schedule(s) A filed with the IRS or provided to a beneficiary differs from the final value (as the result of the resolution of a valuation dispute or otherwise), the executor or other person required to make this filling must file a supplemental Form 8971 and affected Schedule(s) A with the IRS and provide an updated supplemental Schedule A to each affected beneficiary no later than 30 days after the adjustment. See Where To File, earlier. On both the supplemental Form 8971 and each supplemental Schedule A, the "Supplemental Filing" box should be checked and only the information that has changed should be reported.

If the executor or other person required to file Form 9971 has been notified that a Form 706, Form 706-NA, or Form 706A related to the Form 8971 and Schedule(s) A has been selected for examination, a copy of the supplemental Form 8971 with attached supplemental Schedule(s) A should be provided to the office conducting the examination.

Rounding Off to Whole Dollars

The value of property should be reported in U.S. dollars and rounded to whole-dollar amounts. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1 and \$2.55 becomes \$3. If you add two or more amounts to figure an item's value, include the cents when adding the amounts and round off only the total.

Penalties

Failure to file correct Forms 8971 by the due date (section 6721). If the executor of an estate or other person required to file Form 8971 falls to file a correct Form 8971 and/or Schedule A with the IRS by the due date and reasonable cause is not shown, a penalty may be imposed. The penalty applies if there is a failure to file timely, a failure to include all information required to be shown on the form or schedule, a failure to include correct information on the form or schedule, or a failure to file a correct supplemental Form 8971 and/or Schedule A by the due date. A complete Form 8971 includes all Schedule(s) A.

Only one penalty will apply for all failures relating to a single filing of a single Form 8971 and the Schedule(s) A required to be filed along with it. Each filing of a Form 8971 with Schedule(s) A is a separate filing, regardless as to whether the filing is of the initial Form 8971 and Schedule(s) A or a supplemental Form 8971 and Schedule(s) A.

The amount of the penalty depends on when the correct Form 8971 with Schedule(s) A is filed.

The penalty is as follows.

- \$50 per Form 8971 (including all Schedule(s) A) if it is filed within 30 days after the due date. The maximum penalty is \$532,000 per year (or \$186,000 if the taxpayer qualifies for lower maximum penalties, as described below).
- * \$260 per Form 8971 (including all Schedule(s) A) if it is filed more than 30 days after the due date or if it is not filed. The maximum penalty is \$3,193,000 per year (\$1,064,000 if the taxpayer qualifies for lower maximum penalties, as described below).

All penalty amounts shown are subject to adjustment for inflation.

Lower maximum penalties. You qualify for lower maximum penalties if your average annual gross receipts for the 3 most recent tax years (or for the period you were in existence, if shorter) ending before the calendar year in which the information returns were due are \$5 million or less.

Intentional disregard of filing requirements. If any failure to file a correct Form 8971 or Schedule A is due to intentional disregard of the requirements to file a correct Form 8971 and Schedule(s) A, the minimum penalty is at least \$530 per Form 8971 and the Schedule(s) A required to be filed with it, with no maximum penalty.

Inconsequential error or omission. An inconsequential error or omission is not considered a failure to include correct information. An inconsequential error or omission does not prevent or hinder the IRS from processing the Form 8971 and the Schedule(s) A required to be filed along with it. Errors and omissions that are never inconsequential are those related to

a TIN, a beneficiary's surname, and the value of the asset the beneficiary is receiving from the estate.

Note. A TIN is a Social Security Number (SSN), an Employer Identification Number (EIN), an Individual Taxpayer Identification Number (ITIN), or any other number used by the IRS in the administration of tax

Failure to furnish correct Schedules A to beneficiaries by the due date (sec tion 6722). If the executor of an estate or other person required to file Form 8971 fails to provide a correct Schedule A to a beneficiary and does not show reasonable cause, a penalty may be imposed. The penalty applies if there is a failure to provide the Schedule A by the due date, a failure to include all information required to be shown on the schedule, a failure to include correct information on the schedule, or a failure to provide a correct supplemental Schedule A by the due date. The penalty applies for each Schedule A required to be provided.

The amount of the penalty depends on when a correct Schedule A is provided.

The penalty is as follows.

- \$50 per Schedule A if it is provided within 30 days after the due date. The maximum penalty is \$532,000 per year (or \$186,000 if the taxpayer qualifies for lower maximum penaltiles, as described below).
- \$260 per Schedule A if it is provided more than 30 days after the due date or if it is not provided. The maximum penalty is \$3,193,000 per year (\$1,064,000 if the taxpayer qualifies for lower maximum penalties, as described below).

All penalty amounts shown are subject to adjustment for inflation.

Lower maximum penalties. You qualify for lower maximum penalties if your average annual gross receipts for the 3 most recent tax years (or for the period you were in existence, if shorter) ending before the calendar year in which the information returns were due are \$5 million or less.

Intentional disregard of filing requirements. If any failure to provide a correct Schedule A is due to intentional disregard of the requirements to provide correct Schedules A, the penalty is at least \$530 per Schedule A with no maximum penalty.

Inconsequential error or omission. An inconsequential error or omission is not considered a failure to include correct information. An inconsequential error or omission cannot reasonably be expected to prevent or hinder the beneficiary from timely receiving correct information and using the information to report basis on the beneficiary's own return. Errors and omissions that are never inconsequential are those related to (a) the value of the

asset the beneficiary is receiving from the estate, and (b) a significant item in a beneficiary's address.

Reasonable cause exception to the penalties for failing to file Forms 8971 and Schedules A and for failing to provide Schedules A to beneficiaries. The penalties for failing to file correct Form 8971 and Schedules A with the IRS and for failing to provide correct Schedules A to beneficiaries will not apply to any failure that is shown to be due to reasonable cause and not to willful neglect. In general, it must be shown that the failure was due to an event beyond the taxpayer's control or due to significant mitigating factors. It must also be shown that the executor or other person required to file acted in a responsible manner and took steps to avoid the failure.

Penalties for Inconsistent Filing

Beneficiaries who report basis in property that is inconsistent with the amount on the Schedule A may be liable for a 20% accuracy-related penalty under section 6662.

Obtaining Forms and Publications To File or Use

You can access the IRS website 24 hours a day, 7 days a week, at IRS.gov to:

- Download forms, instructions, and publications;
- · Order IRS products;
- · Research tax questions;
- Search publications by topic or keyword; and
- Sign up to receive local and national tax news by email.

Specific Instructions

Complete Form 8971 and each attached Schedule A in its entirety. A form or schedule filed with the IRS without entries in each field will not be processed. A form with an answer of "unknown" will not be considered a complete return.

Part I — Decedent and Executor Information

Line 3. Enter the SSN of the decedent. If the decedent did not have an SSN, the executor (or other person required to file Form 706) should obtain one for the decedent by filing Form SS-5, Application for a Social Security Card. You can get Form SS-5 online at www.socialsecurity.gov or by calling the SSA at 1-800-772-1213.

Line 4. If there is more than one executor, enter the name of one executor and see the instructions for line 8. Line 6. Provide only the TIN of the executor listed on line 4 and see the instructions for line 8.

Line 7. Provide only the address of the executor listed on line 4. Use Form 8822, Change of Address, to report a change of the executor's address. Also, see the instructions for line 8.

Line 8. On an attached statement, provide the name, address, telephone number, and TIN of each executor (if any) other than the one named on line 4.

Line 9. If the executor made an election on the estate tax return to use alternate valuation under section 2032, provide the afternate valuation date.

Part II — Beneficiary Information

A beneficiary is an individual, trust, or other estate who has acquired (or is expected to acquire) property from the estate. If the executor is also a beneficiary who has acquired (or is expected to acquire) property from the estate, the executor is a beneficiary for purposes of the Form 8971 and Schedule A.

Column A. Enter the name of each individual, trust, or other estate that acquired (or is expected to acquire) property from the estate. Retain a copy of the Form 8971 (including all attached Schedule(s) A) for the estate's records.

Column B. Enter the TIN of each beneficiary listed. Entering "none," "unknown," or similar language, or otherwise failing to enter a TIN, will cause the form to be considered incomplete and may subject the estate to penalties.

Column D. For each beneficiary, enter the date on which the executor gave Schedule A to the beneficiary. See Where To File, earlier.

Return preparer. Permission to discuss the Form 8971 is limited to the information reported on (or required to be reported on) the Form 8971 and attached Schedule(s) A and does not authorize the return preparer to represent the estate before the IRS or to enter into any agreements with the IRS respecting the Form 8971 and attached Schedule(s) A.

Complete and attach Form 2848, Power of Attorney and Declaration of Representative, if the executor would like the return preparer to represent the estate before the IRS with respect to the Form 8971 and Schedule(s) A or any other matter related to the estate. Completing Form 2848 may authorize the person designated on that form to sign agreements, consents, waivers, or other documents.

Anyone who is paid to prepare the Form 8971 and/or any Schedule A must sign the form as a paid preparer and give a copy of the completed Form 8971 and/or Schedule(s) A to the executor required to file Form 706, Form 706-NA, or Form 706-A.

Note. A paid preparer may sign original or amended returns by rubber stamp, mechanical device, or computer software program.

Signature and Verification

All executors shown on Form 8971 and listed on any attached statement are responsible for the reporting requirements related to Form 8971 and Schedule(s) A. However, it is enough for only one of the executors to sign Form 8971.

Form 8971 is signed under penalties of perjury and all executors are responsible for the information included on Form 8971 and Schedule(s) A as filed with the IRS and Schedules A provided to beneficiaries. All executors are also liable for all applicable penalties.

Schedule A — Information Regarding Beneficiaries Acquiring Property From a Decedent

Executors of estates filing Form 8971 are required to complete a Schedule A for each beneficiary that acquired (or is expected to acquire) property from the estate. You will need a copy of the Form 706, Form 706-NA, or Form 706-A filed by the estate of the decedent to complete this schedule. All property acquired (or expected to be acquired) by a beneficiary must be listed on that beneficiary's Schedule A. If the executor has not determined which beneficiary is to receive an item of property as of the due date of the Form 8971 and Schedule(s) A, the executor must list all items of property that could be used, in whole or in part, to fund the beneficiary's distribution on that beneficiary's Schedule A. (This means that the same property may be reflected on more than one Schedule A.) A supplemental Form 8971 and corresponding Schedule(s) A should be filed once the distribution to each such beneficiary has been made.

Use and duplicate page A-2 (Schedule A—Continuation Sheet) if additional space is needed to list the property acquired (or expected to be acquired) by a beneficiary. Attach a copy of each completed Schedule A to Form 8971 and submit to the IRS. Provide a copy of each Schedule A only to the beneficiary named on that Schedule A. Do not provide a copy of the Form 8971 to a beneficiary. See the Instructions under Where To File, earlier.

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Column A. Number the items received by the beneficiary. Continue this numbering on page A-2 of the Schedule A—Continuation Sheet (if necessary).

Column B. Use the same description in column B that the executor used for the property on the Form 706, Form 706-NA, or Form 706-A. Include in column B the schedule and item number where the property was reported on Form 706, Form 706-NA, or Form 706-A, as applicable.

For more information on details to be included by asset type or schedule, see the Instructions for Form 706, Form 706-NA, or Form 706-A. If the beneficiary acquired (or is expected to acquire) a joint interest, a fractional interest, or any other interest in property which is less than 100%, indicate the interest in the property the beneficiary will acquire.

Column C. An entry (Y or N) is required in this column for each asset, indicate "Y" if the property contributed to the amount of the federal estate tax payable by the estate.

Generally, any property that qualifies for a marital deduction under section 2056 or 2056A or a charitable deduction under section 2055 will not generate estate tax and "N" should be indicated.

Column D. Generally, the valuation date of property will be the decedent's date of death. If the estate elected to use an alternate valuation date, list the value of the property on the alternate valuation date. See section 2032 for additional guidance.

Column E. List the value reported on Form 706. Form 706-NA, or Form 706-A. If the value reported on a Schedule A that has already been filed with the IRS or provided to a beneficiary changes (as a result of the resolution of a valuation issue or otherwise), you must file a supplemental Form 8971 and associated Schedule(s) A with the IRS and provide an updated Schedule A to each affected beneficiary no later than 30 days after the adjustment.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. Sections 8035 and 6109, and the regulations require you to provide this information.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires the Internal Revenue Service to disclose information from this form in certain circumstances. For example, we may disclose information to the Department of Justice for civil or criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths or possessions for use in administering their tax laws. We

may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal non-tax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. Failure to provide this information, or providing false information, may subject you to penalties.

The time needed to complete and file this form and related schedules will vary depending on individual circumstances. The estimated average time is:

Recordkeeping 3hr, 49 min.

Learning about the law or the form 42 min.

Preparing, copyling, assembling, and sending the form to the IRS 47 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can send us comments from WWW.MS.GOW formspubss'. Click on "More Information" and then on "Give us feedback." You can also send your comments to the Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the tax form to this address. Instead, see Where To File, earlier.

List All Property That can Possibly be Used

All property acquired (or expected to be acquired) by a beneficiary must be listed on that beneficiary's Schedule A. If the executor has not determined which beneficiary is to receive an item of property as of the due date of the Form 8971 and Schedule(s) A, the executor must list all items of property that could be used, in whole or in part, to fund the beneficiary's distribution on that beneficiary's Schedule A. (This means that the same property may be reflected on more than one Schedule A.)



Schedule A Notice to Beneficiaries Statement

Notice to Beneficiaries:

You have received this schedule to inform you of the value of property you received from the estate of the decedent named above.

Retain this schedule for tax reporting purposes. If the property increased the estate tax liability, Internal Revenue Code section 1014(f) applies, requiring the consistent reporting of basis information. For more information on determining basis, see IRC section 1014 and/or consult a tax professional.

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Supplemental Forms 8971 and Schedule(s) A IRC §6035 (a)(3)(B)

(B) Adjustments - In any case in which there is an adjustment to the information required to be included on a statement filed under paragraph (1) or (2) after such statement has been filed, a supplemental statement under such paragraph shall be filed not later than the date which is 30 days after such adjustment is made.



Penalties § 6721 - Failure to file correct information

(a) Imposition of penalty

- (1) In general- In the case of a failure described in paragraph (2) by any person with respect to an information return, such person shall pay a penalty of \$250 for each return with respect to which such a failure occurs, but the total amount imposed on such person for all such failures during any calendar year shall not exceed \$3,000,000.
- (2) Failures subject to penalty- For purposes of paragraph (1), the failures described in this paragraph are—
 - (A) any failure to file an information return with the Secretary on or before the required filing date, and
 - (B) any failure to include all of the information required to be shown on the return or the inclusion of incorrect information.
 - (b) Reduction where correction in specified period
- (1) Correction within 30 days- If any failure described in subsection (a)(2) is corrected on or before the day 30 days after the required filing date—
 - (A) the penalty imposed by subsection (a) shall be \$50 in lieu of \$250, and
 - (B) the total amount imposed on the person for all such failures during any calendar year which are so corrected shall not exceed \$500,000.
- [For inflation adjustments see Section 6721(f)]



IRC §6035 (b)

- (b) Regulations The Secretary shall prescribe such regulations as necessary to carry out this section, including regulations relating to—
- (1) the application of this section to property with regard to which no estate tax return is required to be filed, and
- (2) situations in which the surviving joint tenant or other recipient may have better information than the executor regarding the basis or fair market value of the property.

Proposed Regulations IRC 6035 and 1014(f)

Not as of February 29, 2016



