

## LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

### *PPC's 706/709 Deskbook*

#### Twenty-Fourth Edition (September 2018)

##### Highlights of This Edition

The following are some of the important update features of the 2018 edition of *PPC's 706/709 Deskbook*.

- **Form 712.** Generally, Form 712 should be attached to Form 706. However, sometimes the insurance company that issued the insurance policy will not provide Form 712. This edition clarifies what other evidence should be attached to Schedule D to support the amount included (Key Issue 6C).
- **Where to Deduct Estate Expenses.** Deciding where to deduct estate expenses became even more challenging due to the change made by the Tax Cuts and Jobs Act (TCJA) in the 2% AGI limitation on deductions. This edition has been updated for TCJA considerations (Key Issue 12D).
- **Donor-advised Funds.** A donor-advised fund may be a good alternative for clients who like the gift and income tax benefits of a charitable remainder trust but do not want the expense and complexity of setting up a separate trust. A new key issue was added providing guidance for donor-advised funds. (Key Issue 28F).

In addition to these featured items, your *Deskbook* includes the following update items:

Chapter	Substantive Change	Reference
<b>Chapter 2</b> Form 706 Filing Requirements	1. Updated the discussion to include that there is no fee for application or renewal of a PTIN.	Key Issue 2A
	2. Noted that with the release of Rev. Proc. 2017-26, the IRS will no longer issue a private letter ruling for estates meeting the requirements of the simplified method for requesting an extension.	Key Issue 2C
	3. Clarified how property qualifying for a marital or charitable deduction should be reported on Form 8971.	Key Issue 2D
	4. Expanded the discussion on transcripts in lieu of an estate tax closing letter with additional contact information.	Key Issue 2E
<b>Chapter 3</b> Form 706, Schedule A—Reporting Real Estate	1. Added an observation about permanently affixed improvements for decedents owning land but not the buildings.	Key Issue 3B
	2. Discussed that selling expenses may be deducted or added to the basis of the property sold.	Key Issue 3C
<b>Chapter 4</b> Form 706, Schedule B—Reporting Stocks and Bonds	1. Expanded the discussion adding the valuation method for Treasury Inflation-Protected Securities.	Key Issue 4D

Chapter	Substantive Change	Reference
<b>Chapter 6</b> Form 706, Schedule D— Reporting Insurance on the Decedent's Life	1. Added an example of the reporting requirements of a policy with no incidents of ownership.	Key Issue 6C
<b>Chapter 7</b> Form 706, Schedule E— Reporting Jointly Owned Property	1. Some brokerage accounts contain an acronym identifying the account as jointly owned. However, even if an acronym is not in the title the account may be jointly owned. Verification is necessary as discussed in this edition.	Key Issue 7A
<b>Chapter 8</b> Form 706, Schedule F— Reporting Other Miscellaneous Property	1. Highlighted that executors, including bank trust officers, are often confused about who inherits a life insurance policy insuring the life of another.  2. Clarified that because virtual currency is property, it is eligible for a step-up (or step-down) in basis at death.	Key Issue 8F  Key Issue 8J
<b>Chapter 13</b> Form 706, Schedule K— Reporting Debts of the Decedent, and Mortgages and Liens	1. Clarified that though property taxes as an itemized deduction are limited to \$10,000 for income tax purposes, property taxes as a debt of decedent are not limited to \$10,000 on Form 706.  2. Cautioned that for an estate with more liabilities than assets, there is a priority list for the payment of creditors.	Key Issue 13E  Key Issue 13F
<b>Chapter 14</b> Form 706, Schedule L— Reporting Losses and Expenses Incurred in Administering Property Not Subject to Claims	1. When determining whether a deduction is preferable on Form 1041 or Form 706, alerted that the 2017 Tax Cut and Jobs Act (TCJA) has suspended the income tax deduction for most personal casualty and theft losses. However, casualty losses related to business or income-producing property are still deductible on Form 1041.	Key Issue 14A
<b>Chapter 15</b> Form 706, Schedule M— Marital Deduction	1. The discussion on same-sex marriage and the federal marital deduction was clarified.	Key Issue 15A
<b>Chapter 16</b> Form 706, Schedule O— Charitable, Public, and Similar Gifts and Bequests	1. The IRS has replaced the Select Check online search tool with the Tax-Exempt Organization Search (TEOS), as discussed in this edition.	Key Issue 16A

Chapter	Substantive Change	Reference
<b>Chapter 19</b> Form 706, Schedule P— Credit for Death Tax Paid to a Foreign Country	1. Clarified that the capital gain tax imposed by Canada on the deemed distribution of property is not allowed as a foreign tax credit, but is allowed as a claim against the estate on Form 706, Schedule K.	Key Issue 19A
<b>Chapter 22</b> Tax Payments	1. The requirements for making a Section 303 stock redemption are clarified. 2. Generally, an account transcript may be used instead of an estate tax closing letter for indicating the status of an estate tax return.	Key Issue 22F Key Issue 22G
<b>Chapter 24</b> Form 709, Filing Requirements and Exclusions	1. Cautioned on a few of the common Form 709 filing mistakes. 2. Added an observation about a recent Tax Court ruling where the dates on the <b>stamps.com</b> postage label met the timely filing requirement. 3. Updated the address for where amended Form 709 should be filed. 4. Added a small section on how to contact the IRS when the taxpayer has an account question on Form 706 or 709. Note that this is not a help desk for technical law questions.	Key Issues 24A, 24D Key Issue 24A Key Issue 24A Key Issue 24A
<b>Chapter 25</b> Form 709, Completing Parts 1 & 2, Schedule A, and Schedule C	1. The eligibility requirements for electing to split gifts were clarified. 2. The proper treatment of gift-splitting for the generation-skipping transfer tax is discussed, when GST treatment is not consistent with split-gift made for gift tax purposes. 3. Some common errors made when preparing Form 709 are mentioned.	Key Issue 25B Key Issue 25B Key Issues 25C and 25D
<b>Chapter 26</b> Form 709, Schedule B— Reporting Gifts from Prior Years	1. Failing to file Schedule B when required is a common error, as mentioned in this edition. 2. The importance of meeting the adequate disclosure rules to prevent revaluation of prior taxable gifts is stressed. 3. The discussion on valuation clauses and defined value clauses was clarified.	Chapter 26 Intro Key Issue 26A Key Issue 26B
<b>Chapter 27</b> Form 709, Lifetime Spousal Transfers	1. The discussion on same-sex spouses was clarified.	Key Issue 27A
<b>Chapter 30</b> How to Report Generation Skipping Transfers	1. Observed that for GST purposes, the electing spouse is treated as the transferor of one-half of the entire value of the property transferred by the donor, regardless of the interest the electing spouse is actually deemed to have transferred.	Key Issue 30A

Chapter	Substantive Change	Reference
<b>Chapter 34</b> Other Valuation Rules	1. Final regulations were release that provide revised definitions of a qualified appraisal and a qualified appraiser. The list of items that must be included on a qualified appraisal, as well as the requirements for being a qualified appraiser, are discussed in this edition.	Key Issue 34H