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LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's 706/709 Deskbook

Twenty-seventh Edition (August 2021)

Highlights of This Edition

The following are some of the important new features of the 2021 Edition of *PPC's 706/709 Deskbook*:

- **Disclaimers.** After a gift has been made, it may be determined that the gift was not beneficial to the donor or to the recipient. A qualified disclaimer can be useful in correcting these transfers. The discussion on disclaimers was expanded with examples for using a qualified disclaimer to correct these transfers (Key Issue 23F).
- **Gift Valuation Formula Clauses.** Transferors of hard to value assets can use a formula clause to define the dollar value of the asset passing to the transferee. The discussion on using *defined value clauses* was enhanced by including language successfully used when gifting property (Key Issue 25D).
- **Generation-skipping Transfer Exemption Reconciliation.** A practitioner should not simply look at the most recently filed Form 709 to determine the exemption used in prior periods. Commonly, taxpayers have made Crummy gifts to an ILIT that did not require a Form 709 filing but used the automatic GST tax exemption allocation. Or, the prior Crummey ILIT gifts were reported on Form 709 but did not correctly reflect the GST tax exemption allocation. A sample statement has been added that can be attached to Form 709 to reconcile the previously used exemption (Key Issue 30A and Illustration 30-15).

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

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 2 Form 706 Filing Requirements	<ol style="list-style-type: none"> 1. Expanded the discussion with a summary of how non-resident aliens are taxed differently than a citizen of the U.S. 2. Added a preparation pointer that non-resident aliens must list the value of the decedent's estate located outside of the U.S. to properly allocate administration expenses. 	Key Issue 2B Key Issue 2B
CHAPTER 8 Form 706, Schedule F—Reporting Other Miscellaneous Property	<ol style="list-style-type: none"> 1. Included an observation that jewelry can be community property and can be a point of confusion when a decedent leaves a surviving spouse. 2. Noted with a preparation pointer that S and C corporation interests are reported on Schedule B, not Schedule F. 	Key Issue 8B Key Issue 8D
CHAPTER 15 Form 706, Schedule M—Marital Deduction	<ol style="list-style-type: none"> 1. Included a discussion on an executor's options if the deceased's marital share is not funded. 	Key Issue 15A

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 16 Form 706, Schedule O—Charitable, Public, and Similar Gifts and Bequests	1. Added a caution based on the <i>Warne</i> case that an estate's charitable deduction may be limited to a discounted amount when one asset is distributed to multiple charitable entities.	Key Issue 16C
CHAPTER 22 Tax Payments	1. Added clarification about making the Section 6166 election when the Form 706 is extended.	Key Issue 22D
CHAPTER 23 Transfers during Life	1. Clarified the discussion on the deemed gift when the remainder interest in a QTIP is terminated in favor of the spouse.	Key Issue 23A
CHAPTER 24 Form 709, Filing Requirements and Exclusions	1. Included an observation recommending limiting withdrawal powers if the income and remainder beneficiaries of a trust are not the same person.	Key Issue 24E
CHAPTER 25 Form 709, Completing Parts 1 & 2, Schedule A, and Schedule C	1. Expanded the discussion on items required to meet the adequate disclosure rules to include providing an appraisal that meets regulatory requirements.	Key Issue 25F
CHAPTER 26 Form 709, Schedule B—Reporting Gifts from Prior Years	1. Revised the discussion on the ability of the IRS to revalue prior year gifts.	Key Issues 26A and 26B
CHAPTER 36 Estate and Gift Tax Examinations	1. Cautioned that receiving a refund of an overpaid extension amount does not indicate that the estate has been closed by the IRS.	Key Issue 36B