

32nd Annual  
*Tax Symposium*

**A CLIENT ASKED ME TO PREPARE A  
FEDERAL ESTATE TAX RETURN**

**PSHAW! HOW HARD CAN IT BE?**

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# OVERVIEW

- Form 706
- Discloses a decedent's assets, liabilities, and administrative expenses
- BE PROACTIVE!!
- Heavy reliance on third parties
- Be compassionate

The image shows a Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, from the Department of the Treasury, Internal Revenue Service, dated August 2019. The form is tilted and partially obscured by the text on the left. It includes sections for decedent and executor information, tax computation, and a table for additional executors. The title of the form is "United States Estate (and Generation-Skipping Transfer) Tax Return". The form number "706" is prominently displayed in the top right corner. The text "Form 706 (Rev. August 2019) Department of the Treasury Internal Revenue Service" is in the top left. The main title "United States Estate (and Generation-Skipping Transfer) Tax Return" is in the top right. Below the title, there is a section for "Part 1 - Decedent and Executor" with fields for decedent's name, executor's name, executor's social security number, and decedent's address. There is also a section for "Part 2 - Tax Computation" with numbered lines for various tax calculations. At the bottom right, there is a table for "Additional Executors" with columns for name, address, and case number. The form also includes a "Case number" field and a "Date of death" field.

# MUST A RETURN BE PREPARED?

- Not every estate is required to file a return
- If the estate exceeds the filing threshold, a return must be prepared:
  - \$12,920,000 for decedents dying in 2023
  - \$13,610,000 for decedents dying in 2024



# MUST A RETURN BE PREPARED?

- Lifetime taxable gifts must be taken into account
- Example:
  - Gross estate is \$11 million
  - Lifetime taxable gifts are \$5 million
- Return must be filed even though gross estate is under the filing threshold



# MUST A RETURN BE PREPARED?

- Ignore debts when determining if the estate exceeds the filing threshold
- Example:
  - Gross estate is \$15 million
  - Debts are \$6 million
  - Net estate is \$9 million
- Return must be filed even though net estate is under the filing threshold



# SHOULD A RETURN BE PREPARED?

- Even if a return is not required, it may be advisable
- Establish basis for hard to value assets
  - Business interests
  - Real estate (754 election)
  - Artwork and collectibles



# SHOULD A RETURN BE PREPARED?

- Elect portability
- Portability allows a surviving spouse to use (during life and upon death) the deceased spouse's unused exemption
- “DSUE”
- Return must be filed (i.e., surviving spouse is not automatically entitled to the deceased spouse's DSUE)

# HOW IS A RETURN PREPARED?

- Identify the assets
- Review with the decedent's spouse/family and advisors
- Check tax returns
- Go through the decedent's residence





# HOW IS A RETURN PREPARED?

- Value the assets
- Standard is “fair market value”
  - Treas. Reg. 20.2031-1(b)
    - Willing buyer/seller
    - Neither being under compulsion
    - Reasonable knowledge of relevant facts



# HOW IS A RETURN PREPARED?

- Cash is cash
- Marketable securities
  - NOT equal to closing price
  - Mean of high/low trading price
  - Special rules apply when decedent dies on a weekend or holiday



# HOW IS A RETURN PREPARED?

- Real estate may require an appraisal
- Interest in a closely-held business almost certainly requires an appraisal
- Other assets may require an appraisal (e.g., artwork)
- IRS has specific requirements for appraisals



# HOW IS A RETURN PREPARED?

- Assets are valued as of date of death
- Alternate valuation date (AVD) may be elected
  - Valuation date is six months after date of death
  - Estate tax liability must be reduced
  - Assets sold prior to AVD valued at sale price

# HOW IS A RETURN PREPARED?

- Return is due nine months after date of death
- Automatic six month extension may be obtained
  - Only extends time to file
  - DOES NOT extend time to pay
- If filing only for portability, return is due five years after date of death



# HOW IS A RETURN PREPARED?

- Don't forget the ancillary documents/forms
  - Death certificate
  - Will and trust
  - Forms 56, 2848, 8971
- Get a closing letter to give your fiduciary (and yourself) peace of mind



# HOW IS A RETURN PREPARED?

- Start early
- Be persistent
- Overdisclose
- Organize for ease of review
- Don't do it by hand!



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THANK YOU

 **Maddin Hauser**  
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