

SUPPLEMENT:
ESTATES (706)

DrakeTax[®]

Drake Tax User's Manual

Tax Year 2019

**Supplement: Estates
(706)**

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Estates (706)

*THE BASICS OF DATA ENTRY FOR AN ESTATE (706) RETURN ARE THE SAME AS FOR THE 1040. NAVIGATION THROUGH DATA ENTRY, FIELD- AND SCREEN-LEVEL HELP, AND KEYBOARD SHORTCUTS ALL FUNCTION AS THEY DO IN THE 1040 PROGRAM. SEE THE 2019 DRAKE TAX USER'S MANUAL FOR THE BASICS OF USING THE PROGRAM. (THE MANUAL IS AVAILABLE ON THE INSTALLATION CD AND ON THE DRAKE SUPPORT WEBSITE: SUPPORT.DRAKESOFTWARE.COM > **TRAINING TOOLS** > **MANUALS**.)*

DRAKE TAX PROGRAMS ITS SOFTWARE ACCORDING TO THE LATEST IRS RULES AND REGULATIONS. FOR A LIST OF ESTATE REGULATIONS FOR TAX YEAR 2019, SEE THE FORM INSTRUCTIONS.

IMPORTANT

Be sure to review the *2019 Drake Tax User's Manual* – available from the *Support.DrakeSoftware.com* website – for details on the changes to the tax program and instructions on using such practice management tools such Update Manager, Scheduler, Client Status Manager, and Tax Planner.

Use the Most Current Version of Form 706

For decedents dying after December 31, 2018, you must use the Form 706 revision, dated November 2019—in other words, this version of Drake Tax (2019). For decedents dying in 2018, use the 2018 version of Drake Tax.

Opening an Estate Return for an Individual

The *2019 Drake Tax User's Manual* provides details on how to create and open new returns for any package, including the 706 package. In some cases, however, you will need to create an estate return (706 or 706-A) for an individual who already has a 1040 return in the program. To assign a single SSN to multiple returns:

1. From the **Home** window of Drake Tax, select **Tools > File Maintenance > Change File Type**.
2. In the **Convert Client Data File Type** window (Figure 1), begin typing the SSN of an individual (1040) return to be converted to 706. As you type, the search program narrows the list reflected in the **Client Name** pane. You can also select a return from the **Client Name** list. Once you have selected the return, click **Continue**.

Drake 2019 - Convert Client Data File Type

This will allow you to convert a client data file from one type of return to another.
 The following data converts: name, address, fiscal year, all depreciation, screens 6, 7, 8, 9, and 10.
 In addition, corporation and sub-s corporation conversions converts the balance sheet and Schedule A information.
**** Warning: Back up all data before proceeding ****

Client Selection

400 <Search Results: v

Client Name	Type	ID Number
Carter, William & Amelia	1040	400006665
Chaucer, Jeff & Sally	1040	040044400
Ess Bee Ess Corp	1120S	400001120
Fred, Fictitious	1040	400009090
Hugo, Victor	1040	400500400
Seay's Trucking	1120	400112011

Help Continue Exit

Figure 1: Converting an 1040 return into a 706 return

NOTE An SSN must already be associated with a return in the program before it can be assigned to a second return type.

3. The available return types are displayed. In Figure 2 on page 11, the selected return is a 1040, so that option is disabled. Note that the 706 and 706-A options are in the right-hand column.

Drake 2019 - Convert Client Data File Type

This will allow you to convert a client data file from one type of return to another.
 The following data converts: name, address, fiscal year, all depreciation, screens 6, 7, 8, 9, and 10.
 In addition, corporation and sub-s corporation conversions converts the balance sheet and Schedule A information.

400500400 File Type is Individual (1040)

Convert this file to:

Individual (1040) Fiduciary (1041) Estate (706)

Corporate (1120) Partnership (1065) Heir (706A)

Sub-S Corp (1120S) Tax Exempt (990)

Buttons: Help, Continue, Exit

Figure 2: Available return types are displayed.

4. Click an option to select it, and then click **Continue**.
5. When asked if you want to keep the original return in addition to the new return, click **Yes**.
6. Click **OK**.

The SSN is now applied to both the original return and the new 706 return. In the future, when you enter the SSN to open a return, you will be asked which return you wish to open. When you use other features of the program where SSNs are entered (such as in the **Client Selection** search box in **Tools > Letters > Letters**), you will be prompted to indicate which return, the 1040 or the 706, the program should use.

Form 706

Form 706 is used to figure a decedent's estate tax or to compute generation-skipping transfer (GST) tax on direct skips. Form 706 is not e-fileable, but the 706 package in Drake Tax can be used for completing Form 706 and related forms.

NOTE A death certificate must be attached to a 706 return before submission.

Part 1: Decedent and Executor Information

Screen **DEMO** and screen **1** both contains fields for entering the general information that is printed in the top section of page 1 of Form 706 and 706-A. This information includes decedent data (**DEMO** screen) and decedent data, executor data, executor elections, and court and case information (screen **1**).

The **DEMO** screen also has fields for entering miscellaneous codes and a preparer's alternative e-signature PIN, a drop list for selecting appropriate state returns, and fields for overriding preparation fees, firm, preparer, and data-entry operator information. (For more on using these fields, see *2019 Drake Tax User's Manual*.)

There is also a check box on the **DEMO** screen for indicating an amended return.

Form 8971 If filing Form 8971, Information Regarding Beneficiaries Acquiring Property from a Decedent, and the executor made an election on the estate tax return to use alternate valuation under section 2032, provide that date in the **Form 8971** section of the **DEMO** screen.

Enter the date the executor supplied the beneficiaries with Schedule A of Form 8971 on screen **BENE**, available from the **Supplemental Forms** tab of the **Data Entry Menu**.

NOTES

- Part I is not necessary for Form 706-A or Form 706-QDT. To access screens for completing the identifying information for the 706-A or 706-QDT, select the links on the **DEMO** screen or click the applicable tab (**Form 706-A** or **Form 706-QDT**) from the **Data Entry Menu**.
- On screen **1**, item **7a, Court**, allows up to 57 characters to account for the amount of space provided on the form. Item **7b, Case number**, allows up to 16 characters (13 numbers + 3 dashes).

For more on Form 8971, see “Form 8971, Information Regarding Beneficiaries” on page 23.

Part 2: Tax Computation

Most of the information that is printed in Part 2 of the return is calculated from entries made on other screens, as directed by Form 706. For example, the amount for line 13, “Credit for foreign death taxes,” is calculated from the information you enter on screen **CE** (Form 706-CE), available from the **Form 706 Estate Forms** tab of the **Data Entry Menu**.

Flow of Data Table 1 shows the screens from which Part 2 amounts are calculated.

Table 1: Tax Computation Fields

Line & Label	Screen to Use in Drake Tax	Additional Information
Line 1, Total gross estate	PROP, U , various screens from the Deductions section	Amount includes stocks, bonds, annuities, insurance, & property in which the decedent had an interest. See “Gross Estate (Schedules A through I; Schedule U)” on page 14.
Line 2, Tentative total allowable deductions	PROP and various screens from the Deductions section	See “Gross Estate (Schedules A through I; Schedule U)” on page 14 and “Deductions (Schedules J through M; Schedule O)” on page 23.
Line 4, Adjusted taxable gifts	709	See “Generation-Skipping Transfer (GST) Tax (Schedules R and R-1)” on page 27.
Line 7, Total gift tax paid	709	See “Generation-Skipping Transfer (GST) Tax (Schedules R and R-1)” on page 27.

Table 1: Tax Computation Fields

Line & Label	Screen to Use in Drake Tax	Additional Information
Line 10, adjustment to applicable credit amount	709	See "Foreign Death Tax (Schedule P; Form 706-CE)" on page 28.
Line 13, Credit for foreign death taxes	CE	See "Foreign Death Tax (Schedule P; Form 706-CE)" on page 28.
Line 14, Credit for tax on prior transfers	Q	Calculated from Schedule Q; see "Credit for Tax on Prior Transfers (Schedule Q)" on page 28.
Line 17, GST taxes payable	R, R2	Calculated from Schedule R; see "Generation-Skipping Transfer (GST) Tax (Schedules R and R-1)" on page 27 for more information.

Direct-Entry Amounts

Enter amounts for the following lines directly onto screen **2**:

- **Line 3b, State death tax deduction** — This is the amount of estate, inheritance, legacy, or succession taxes paid as a result of the decedent's death to any state or the District of Columbia.
- **Line 9a, Basic exclusion amount** — This field overrides the amount calculated for line 9a, "Basic exclusion amount," for Form 706.
- **Line 9c, Restored exclusion amount** — For more on restoring the exclusion amount, see Note "a," below.
- **Line 19, Prior payments** — Enter here any prior payments made of the estate taxes. (See Note "b," below.)
- **Line 19, U.S. Treasury bonds** — Enter here any U.S. Treasury bonds redeemed in payment of estate tax. (The executor may not use the treasury bonds to pay generation-skipping transfer taxes.)

a. If a decedent made a taxable gift during the decedent's lifetime to decedent's same-sex spouse, and that transfer resulted in a reduction of the decedent's available applicable exclusion amount, the amount of the applicable exclusion that was reduced can be restored. See IRS instructions for Form 706 and Form 709, Schedule C, to determine the Restored Exclusion Amount.

NOTES

a. The IRS requires that if the tax paid with the return is different from the balance due, you must explain the difference in an attached statement. If prior payments have been made to the IRS, and an amount is entered on either line 19 field on screen **2**, you must explain in an attached statement. To include such statements, go to the **SCH** screen (accessible from the **Supplemental Forms** tab), enter a title (such as "Line 19 - Prior Payments") and then in the large text box, enter an explanation.

Part 3: Elections by the Executor

Answer the **Part 3** questions on screen **1** (Figure 3) to complete Form 706, Part 3, “Elections by the Executor.”

Part 3 - Elections by Executor

1 Sect 2032 Alternate valuation Protective alternate valuation

2 Sect 2032A Special-use valuation (complete Sch A-1) Sect 20.6166-1(d) Protection election

3 Sect 6166 Pay Estate tax in installments

4 Sect 6163 Postpone tax on reversionary or remainder interest

Figure 3: Use the **Part 3** section of screen **1** to complete Part 3, Elections by Executor.

Mark a box to indicate a “Yes” answer; leave the box blank to indicate a “No” answer. (The “No” boxes on Form 706, page 2, Part 3, are marked by default.)

Part 4: General Information

Use screen **2** to complete Part 4, “General Information,” of Form 706.

Part 5: Recapitulation

Form 706, Part 5, is used to calculate the gross value of the estate. Data for Part 5 flows from various estate and deduction schedules. The type of assets owned by the estate determines which of the schedules should be filed with the return. The fields on screen **5** are override fields; enter data here only to override a calculate amount.

Gross Estate (Schedules A through I; Schedule U)

In Drake Tax, total gross estate information flows primarily from data entered on the **PROP** (Estate Property) screen, the **U** (Schedule U) screen, and the various screens and schedules listed in the **Deductions** box on the right column of the **Form 706 Estate Forms** tab of the **Data Entry Menu**.

In some cases, information must be entered on both the **PROP** screen and one of the schedule screens. For instance, most data for Schedule F (Other Miscellaneous Property Not Reportable Under Any Other Schedule) is entered on the **PROP** screen, but data on the decedent’s safety deposit boxes must be entered on screen **F** (Sch F Other Miscellaneous Property).

The following sections cover the primary screens used for entering gross estate data.

Estate Property (PROP Screen)

Use the **PROP** screen to enter estate property data. This data should be applied, as applicable, to one of the following Form 706 schedules:

Sch. A, Real Estate	Sch. D, Insurance	Sch. G, Transfers
Sch. B, Stocks & Bonds	Sch. E, Jointly Owned Property	Sch. H, Powers of Appt.
Sch. C, Mortgages, Notes, & Cash	Sch. F, Other Misc Property	Sch. I, Annuities

Screen code:
PROP

To enter estate property information:

1. Go to the **PROP** screen, accessible from the **Property** section on the **Form 706 Estate Forms** tab of the **Data Entry Menu**.

2. From the **For Schedule** drop list, select the schedule to which the estate property information should be applied. In the example to the right, the estate property information will be applied to Schedule A.

3. (as applicable) Complete the required **Description** and **Value** fields. The **Description** should be detailed enough to allow the IRS to easily locate the property for inspection and valuation. The **Value** should be the value of the property on the date of the decedent's death.
4. (as applicable) If the alternate valuation is elected, complete the **Alternate Date** and **Alternate Value** fields.
5. (as applicable) Complete fields for Schedules B, E, F, or I, including the **CUSIP number for Schedules B, E, or F** field.

To enter a second property description, press PAGE DOWN. A blank **PROP** screen is opened.

NOTE

To have all or part of the value flow to Schedule M (Bequests, etc., to Surviving Spouse), mark the **Send this information to Schedule M** check box on the **PROP** screen. By default, the program sends the total to Schedule M. To send a different value, complete the **Amount to be carried to Sch M** override field. A separate statement will be attached automatically. See "Schedule M (Bequests to Surviving Spouse)" on page 25 for more information on completing Schedule M.

For more on Schedule B in Form 706, see "Schedule B (Stocks and Bonds)" on page 18.

Beneficiaries

Record information about beneficiaries on screen **BENE**, available from the **Supplemental Forms** tab of the **Data Entry Menu**, (for personal information), and the **Beneficiary Information** tab on the **PROP** screen (for entering percentages of property acquired from the decedent).

When the return is calculated, Form 8971 is produced, along with a Schedule A for each listed beneficiary. Supply each beneficiary with a copy of the Schedule A for filing with that person's or entity's tax return. On screen **BENE**, report the date the executor provided the beneficiary with Schedule A of Form 8971.

Beneficiary Information Tab

When property is acquired by a beneficiary, enter information on the beneficiary on the **Beneficiary Information** tab of the **PROP** screen. For properties for which a beneficiary received a percentage, select the beneficiary from the **TIN** drop list, enter the percentage acquired, and, if more than beneficiary, select a "rounding beneficiary."

NOTE

All beneficiaries entered on the **BENE** screen are listed in the **TIN** drop list of the **Beneficiary Information** tab. Make a selection from the **TIN** list and the **Name** field will be completed automatically. See "BENE Screen," following.

Enter the percentage as a whole number. If the beneficiary acquired (or is expected to acquire) 100% of the property, either enter 100 or leave the field blank and the program will use 100% by default. (If the beneficiary acquired (or is expected to acquire) 100% of the property, that beneficiary should be the only beneficiary entered.)

"Rounding" Beneficiary

The "rounding" beneficiary will be the one who receives any balancing amount when the return is calculated. Each property for which there is more than one beneficiary should have a rounding beneficiary designated.

BENE Screen

Enter each beneficiary on a separate **BENE** screen (available from the **Supplemental Forms** tab of the **Data Entry Menu**). Provide all contact information (name, address, TIN, etc.), for that beneficiary, and such information as the date the executor provided a copy of Schedule A to the beneficiary, the beneficiary's relationship to the decedent, the amount distributed (or to be distributed) to each beneficiary, and notification that the beneficiary is a charitable organization or other institution. (If so, the program can send the information to Schedule O.)

All beneficiaries entered on a **BENE** screen will be available from the **Beneficiary Information** tab of the **PROP** screen.

Schedule A (Real Estate)

Use the **PROP** screen to enter information for Schedule A, Real Estate. Select **Schedule A** from the **For Schedule** drop list, as shown in the figure on page 15. See the IRS instructions or the Drake Help resources for specific instructions for each field. If any property is subject to a mortgage for which the estate is liable, report the full value of the property in the **Value** field and enter the amount of mortgage in the **Description** field. The unpaid amount of the mortgage may be deducted on Schedule K.

For more **PROP** screens, press PAGE DOWN.

2032A Valuation

If electing section 2032A valuation, Schedule A (**PROP** screen) and Schedule A-1 (**A1** screen) are required.

To complete Schedule A-1:

1. Open screen **A1**, accessible from the **Property** section of the **Form 706 Estate Forms** tab.

2. Complete all applicable fields for Parts 1, 2, and 3.
3. Press PAGE DOWN to access fields for completing lines 2, 3, and 4 of Part 2, Notice of Election (Figure 4).

	A	B	C	D
Line	Schedule and Item Number	Full Value (w/o 2032A(b)(3)(B))	Adjusted Value (with 2032A(b)(3)(B))	Qualified Use Value (w/o 2032A(b)(3)(B))
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Press PAGE DOWN for Schedule A-1, Part 2 - Notice of Election (continued).

Figure 4: Fields for completing lines 2, 3, and 4 of Schedule A-1, Part 2 (Notice of Election)

4. After selecting a **Line** and **Schedule and Item Number**, enter the applicable values.

NOTE Press F1 in a field to see and select the available options for the **Line** and **Schedule and Item Number** fields.

5. Press PAGE DOWN to access fields for completing line 10 of Part 2, Notice of Election.

Other Notes on Real Estate

Be aware of the following information regarding real estate on Form 706:

- Schedule A should include any real property the decedent contracted to purchase. Report the full value of the property (not the equity).
- For jointly owned property that must be disclosed on Schedule E, select **Schedule E** from the **For Schedule** drop list on the **PROP** screen.
- For real estate that is part of a sole proprietorship, select **Schedule F** from the **For Schedule** drop list on the **PROP** screen. Use screen **F** to enter data on the joint depositor or to expand on information regarding safe deposit box contents.
- For real estate that is included in the gross estate under section 2035, 2036, 2037, or 2038, select **Schedule G** from the **For Schedule** drop list on the **PROP** screen.
- For real estate that is included in the gross estate under section 2041, select **Schedule H** from the **For Schedule** drop list on the **PROP** screen.
- If the executor elects to exclude any qualifying conservation easements from the gross estate, complete screen U (Schedule U, Qualified Conservation Easement Exclusion).

Schedule B (Stocks and Bonds)

Schedule B, Stocks and Bonds, is used if the total gross estate contains any stocks or bonds. Open the **PROP** screen, and select **Schedule B** from the **For Schedule** drop list to enter information for Schedule B.

See the following general guidelines for completing the fields applicable to Schedule B. (For more specific instructions on each field, see the field-level help for the **Description** field, or the IRS instructions.)

Description

For the **Description**, list the stocks and bonds that are included in the decedent's gross estate. Use a different **PROP** screen (press PAGE DOWN) for each stock or bond (or lot thereof). Note the following:

- Bonds exempt from federal income tax are not exempt from estate tax unless specifically exempted by an estate tax provision of the Code. These bonds should be listed in the **Description** field on the **PROP** screen but no value entered.
- Public housing bonds that are part of the gross estate must be included at their full value.
- If estate, inheritance, legacy, or succession tax was paid to a foreign country on any stocks or bonds included here, group those together in the **Description** box under the label "Subjected to Foreign Death Taxes."

Value

Enter the total value of the securities in the **Value** field. This amount should refer to the value of the asset on the date of death unless an alternate valuation date is elected.

Unit Value

Enter the unit value per share of each stock or bond at the time of the decedent's death in the **Unit value** field. The **Unit value** field is located below the **Description** field (item #1 in Figure 5).

The screenshot shows the 'Estate Property' screen with the following fields and values:

- For Schedule:** B
- ST:** [dropdown]
- City:** [dropdown]
- Description:** ABC bonds
- Alternate Date:** [input field]
- Alternate Value:** [input field]
- Value:** 222
- If for Sch B: Unit value:** 75
- CUSIP number for Schedules B, E, or F:** [input field]
- If for Sch E: Co-tenant:** [checkbox]
- Percentage includable:** [input field]

Figure 5: For Schedule B, enter value in the **Unit value** field (item #1).

NOTE

Use the **Alternate Date** and **Alternate Value** fields (item #2 in Figure 5) if an alternate valuation is adopted.

CUSIP Number

A Committee on Uniform Security Identification Procedure (CUSIP) number is assigned to all stocks and bonds traded on major exchanges and many unlisted securities. This number is typically printed on the face of the stock certificate. Enter the

CUSIP number from the stocks or bonds in the field labeled **CUSIP number for Schedules B, E, or F**.

Schedule C (Mortgages, Notes, Cash)

Schedule C, Mortgages, Notes, and Cash, is selected from the **For Schedule** drop list on the **PROP** screen if the total gross estate contains any mortgages, notes payable to the decedent at the time of death, or cash at the time of death.

General guidelines for completing the fields applicable to Schedule C are similar to those provided in preceding sections. For more specific instructions on each field, see the field-level help for the **Description** field, or the IRS instructions.

Order of Items

Use a separate **PROP** screen (press PAGE DOWN) for each item for Schedule C. List items in the following order:

- a. Mortgages
- b. Promissory notes
- c. Contracts by decedent to sell land
- d. Cash in possession
- e. Cash in banks, savings and loan associations, or other types of financial organizations.

Description

For mortgages, the **Description** should include face value, unpaid balance, date of mortgage, date of maturity, name of maker, property mortgaged, interest dates, and interest rate. List promissory notes in same manner as mortgages.

TIP

There is a limited amount of information that will be accepted in the **Description** field. Be as brief as possible and abbreviate where you can. If you still cannot fit everything in, go to the **SCH** screen (accessible from the **Supplement Forms** tab), enter a title referring to the Schedule C, and complete your description.

NOTE

If entering multiple items, use a new **PROP** screen for each description. While in the **PROP** screen, press PAGE DOWN to open a new screen.

See IRS instructions for entering contracts and cash.

Schedule D (Insurance on Decedent's Life)

If the estate is required to file Form 706, and there was any insurance on the decedent's life, whether or not it was included in the gross estate, you must complete Schedule D, Insurance on the Decedent's Life. From the **PROP** screen, select **Schedule D** from the **For Schedule** drop list and enter information for Schedule D.

In the **Description** text box, list the name of the insurance company and the number of the policy. If entering multiple policies, use a new **PROP** screen for each. (While in the **PROP** screen, press PAGE DOWN to open a new screen.) For every policy of life insurance listed on the schedule, you must request a statement on Form 712, Life Insurance Statement, from the company that issued the policy. Complete screen **712** in Drake Tax (available from the **Supplemental Forms** tab of the **Data Entry Menu**). Press PAGE DOWN to view and complete Part II. (If reporting more than one policy, from screen **712**, press CTRL+PAGE DOWN.) Attach all Forms 712 to the back of

Schedule D. Include insurance on the decedent's life receivable by or for the benefit of the estate, and insurance on the decedent's life receivable by beneficiaries other than the estate.

For specific instructions on each Schedule D field, see the IRS instructions.

Schedule E (Jointly Owned Property)

Schedule E, Jointly Owned Property, is used if the decedent owned joint property (real estate, personal property, or bank accounts) at the time of death, regardless of whether the decedent's interest is includable in the gross estate. Use the **PROP** screen to enter information for Schedule E. When in the **PROP** screen, select **Schedule E** from the **For Schedule** drop list.

Review the follow general guidelines for completing the fields applicable to Schedule E. For more specific instructions on each field, see the field-level help in the **Description** field, or the IRS instructions.

PROP Screen & E2 Screen

A joint interest is a "qualified" joint interest if the decedent and the surviving spouse held the interest as *either* of the following:

- Tenants by the entirety
- Joint tenants with right of survivorship if the decedent and the decedent's spouse are the only joint tenants

NOTE

Note that the **E2** screen might be needed for certain interests. Use the **PROP** screen to enter interests that meet either of the two requirements listed above. Use the **E2** screen (available from the **Property** section of the **Form 706 Estate Forms** tab of the **Data Entry Menu**) to enter joint interests that do not meet either requirement. Data entered on the **E2** screen flows to Part 2 of Schedule E on the return.

CUSIP Number

A CUSIP number is assigned to all stocks and bonds traded on major exchanges and many unlisted securities. This number is typically printed on the face of the stock certificate. If stocks or bonds are part of the jointly owned property described on Schedule E, enter the CUSIP number in the field labeled **CUSIP number for Schedules B, E, or F**.

Schedule F (Other Misc Property)

Schedule F, Other Miscellaneous Property Not Reportable Under Any Other Schedule, is used for miscellaneous property that must be included in the gross estate but is not reported on any other schedule. Use the **PROP** screen to enter information for Schedule F. When in the **PROP** screen, select **Schedule F** from the **For Schedule** drop list.

Following are some general guidelines for completing the fields applicable to Schedule F. For more specific instructions on each field, see the field-level help in the **Description** field, or the IRS instructions.

NOTE

If entering multiple items, use a new **PROP** screen for each description. While in the **PROP** screen, press PAGE DOWN to open a new screen.

Schedule F Items

Specifically, the following types of items should be included on Schedule F:

- Debts due the decedent
- Insurance on life of another
- Claims, rights, royalties
- Reversionary interests
- Household goods, personal effects
- Farm product, growing crops
- Interests in business
- Section 2044 property
- Leaseholds, judgments
- Shares in trust funds
- Automobiles
- Livestock, farm machinery

Business Interest

If the decedent owned interest in a partnership or unincorporated business, attach a statement of assets and liabilities for the valuation date and for the five years before the valuation date, and attach statements of net earnings for the same five-year period.

NOTES

Report partnership interests on Schedule F unless the interest is jointly owned; use Schedule E for jointly owned partnerships (see “Schedule E (Jointly Owned Property)” on page 20).

If real estate is owned by sole proprietorship, use Schedule F (not Schedule A). Use the same degree of detail as if reporting on Schedule A (see “Schedule A (Real Estate)” on page 16).

Schedule F Check Boxes

Use the check boxes in the middle of the **PROP** screen to report art, collectibles, bonuses, awards, and access to a safe deposit box (Figure 6).

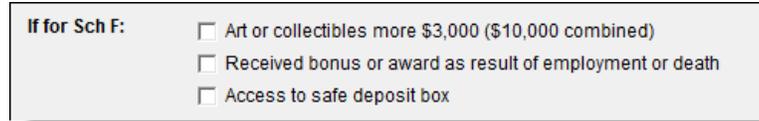


Figure 6: Schedule F check boxes on **PROP** screen

Safe Deposit Box

Select **Access to safe deposit box** if the decedent had access to a safe deposit box. If the decedent had a jointly held safe deposit box and the contents are not reported on any other schedules, use screen **F**, accessible from the **Property** section of the **Form 706 Estate Forms** tab, to enter the following information:

- Name and relationship of the joint owner
- Reason that the contents were not included on another schedule

Screen **F** should be used only for data regarding joint access to a safe deposit box. Data entered here is printed under question 3 (regarding safe deposit box) of Schedule F on the return.

Schedule G (Transfers)

If section 2032A valuation was elected (from the #2 check box in **Part 3** of screen **1**), both Schedule G (Transfers During Decedent’s Life) and Schedule A-1 (Section 2032A Valuation), must be filed. If you answered “Yes” (marked those check boxes) to questions 11b or 12 on screen **2**, complete Schedule F or Schedule G. If the decedent made any of the following transfers, complete Schedule G:

- Certain gift taxes (section 2035 (b))

- Other transfers within 3 years before death (section 2035(a))
- Transfers with retained life estate (section 2036)
- Transfers taking effect at death (section 2037)
- Revocable transfers (section 2038)

Schedule G also must be filed if any section 2035, 2036, 2037, or 2038 transfers were made.

Use the **PROP** screen for Schedule G, and use the **A1** screen, accessible from the **Property** section of the **Form 706 Estate Forms** tab, for Schedule A-1. Complete screen **A1** for Schedule G using the steps outlined earlier for Schedule A. (See the steps in “2032A Valuation” on page 16.)

For specific instructions on each Schedule G field, see the field-level help in the **Description** field of the **PROP** screen, or the IRS instructions.

Schedule H (Powers of Appointment)

Schedule H, Powers of Appointment, must be submitted if question 14 of Form 706, Part 4, is answered “Yes.” (In other words, if the decedent ever possessed, exercised, or released any general power of appointment and the line **14** check box on screen **2** is marked.) Use the **PROP** screen to enter information for Schedule H. When in the **PROP** screen, select **Schedule H** from the **For Schedule** drop list.

For specific instructions on each Schedule H field, see the field-level help in the **Description** field of the **PROP** screen, or the IRS instructions.

Schedule I (Annuities)

Schedule I, Annuities, must be submitted if question 16 of Form 706, Part 4, is answered “Yes.” (In other words, if the decedent was receiving an annuity at the time of death). (See line **16** on screen **2**.) Use the **PROP** screen to enter data for Schedule I. When in the **PROP** screen, select **Schedule I** from the **For Schedule** drop list.

Following are some general guidelines for completing the fields applicable to Schedule I. For more specific instructions on each Schedule I field, see the IRS instructions.

Description

In describing an annuity, provide the grantor’s name and address and specify if the annuity is under an approved plan. If it is under an approved plan, indicate the ratio of the decedent’s contribution to the total purchase price of the annuity.

If the decedent was employed at the time of death and the annuity became payable to a surviving beneficiary, indicate the ratio of the decedent’s contribution to the total purchase price of the annuity.

Excluding Lump-Sum Distribution

If lump sum distributions are being excluded from the list of annuities, mark the box in the **If for Sch I** line of the **PROP** screen (Figure 7 on page 23).

The screenshot shows a form with the following sections and options:

- If for Sch E:** Co-tenant..... Percentage includable.....
- If for Sch F:**
 - Art or collectibles more than \$3,000 (\$10,000 combined)
 - Received bonus or award as a result of employment or death
 - Access to safe deposit box
- If for Sch I:** Excluding lump-sum distribution (section 2039(f)(2))
- Send to Sch M:**
 - Send this information to Schedule M - Bequests to Surviving Spouse
 - Amount to be carried to Sch M..... =
 - Check if QTIP property
 - Section 20.2010-2T(a)(7)(ii) applies (Schedule M and Schedule O)

Figure 7: Check box indicating exclusion of lump-sum distribution

Schedule U (Qual. Cons. Easement Exclusion)

Schedule U is required if the executor elects to exclude any qualifying conservation easements from the gross estate. In Drake Tax, use screen U, accessible from the **Property** section under **Form 706 Estate Forms** tab, to enter data for Schedule U. See the IRS instructions for details on completing this schedule.

NOTE

A worksheet is required if, at the time of the contribution of the conservation easement, the value of the land subject to the easement, or the value of any retained development right, was different from the estate tax value. To have Drake Tax calculate this worksheet, mark the **Worksheet is required** box near the top of screen U.

Form 8971, Information Regarding Beneficiaries

The IRS requires Form 8971, Information Regarding Beneficiaries Acquiring Property from a Decedent, to be filed for any Form 706 to report the basis of assets reported on the Form 706 and who inherited the asset.

NOTE

Form 8971 is generated when data is entered on screens **BENE** and **PROP**.

When the return is calculated, Form 8971 is produced, along with a Schedule A for each listed beneficiary. Supply each beneficiary with a copy of the beneficiary's Schedule A for filing with that person's or entity's tax return. On screen **BENE**, report the date the executor provided the beneficiary with Schedule A of Form 8971.

NOTE

If the beneficiary inherited only a cash distribution, open the **PROP** screen and mark the **Cash bequest...** check box on the **Form 8971**. No Form 8971, Schedule A, will be required or produced.

Deductions (Schedules J through M; Schedule O)

In Drake Tax, total gross estate information flows primarily from data entered on the **PROP** (Estate Property) screen, the **U** (Schedule U) screen, and certain screens listed

in the **Deductions** section on the **Form 706 Estate Forms** tab of the **Data Entry Menu**.

The following sections cover these screens from the **Deductions** box:

- **Screen J** — Schedule J, Funeral & Administration Expenses
- **Screen K** — Schedule K, Debts, Mortgages, & Liens
- **Screen L** — Schedule L, Net Losses, Admin Expenses
- **Screen M** — Schedule M, Bequests to Surviving Spouse
- **Screen O** — Schedule O, Charitable, Public Gifts

Schedule J (Funeral & Other Expenses)

Funeral and certain other expenses are deductible. These expenses should be reported on Schedule J, Funeral Expenses and Expenses Incurred in Administering Property Subject to Claims. In Drake Tax, use screen **J** to report these expenses.

Screen **J** has fields for up to two funeral expenses and up to two miscellaneous expenses. Press PAGE DOWN to open a blank screen **J** and enter additional expenses.

NOTE

Itemize funeral expenses in the top two **Description** and **Expense** fields. Exclude any amounts that were reimbursed (such as death benefits payable by the Social Security Administration or the Veterans Administration). Press PAGE DOWN for another Schedule J screen.

Mark the box to the right of a line if a protective claim has been filed for that expense.

See the IRS instructions for further guidance in completing Schedule J.

Schedule K (Debts, Mortgages, & Liens)

Debts, mortgages, and liens against the decedent are reported on Schedule K, Debts of the Decedent, and Mortgages and Liens. Use screen **K** to report this data. Listed below are brief descriptions of the screen **K** fields. See the IRS instructions for more details, and for exceptions.

- **Debts** — List valid debts the decedent owed at the time of death.
- **Amount** — Enter the amount of the mortgage or lien.
- **Mortgages and Liens** — List only obligations secured by mortgages or other liens on property that is included in the gross estate at its full value. Include a description of the mortgage or lien.
- **Amount** — Enter the amount of the mortgage or lien.

If more screens are needed, press PAGE DOWN.

At the top of the **K** screen are two check boxes:

- If the taxpayer is aware of any actual or potential reimbursement to the estate for any debt of the decedent, mortgage, or lien claimed as a deduction on this schedule, mark the top check box.
- If any of the items on this schedule are deductible under Reg. section 20.2053-4(b) and Reg. section 20.2053-4(c), mark the second box.

Mark the box to the right of a line if a protective claim has been filed for that expense.

**Schedule L
(Net Losses
& Expenses
Incurred)**

Schedule L is required in order to claim deductions for net losses during administration, and for expenses incurred during administration of estate property not subject to claims. Use screen **L** to report this information. Below are brief descriptions of the screen **L** fields. See IRS instructions for limitations and further explanations.

- **Net losses during administration** — Describe net losses during administration. Do not include losses claimed on a federal income tax return.
- **Expenses incurred for property not subject to claims** — Describe any expenses incurred in administering property that was not subject to claims. Indicate whether estimated, agreed upon, or paid.
- **Amount** — Enter the amount of the loss or expense.

Mark the box to the right of a line if a protective claim has been filed for that expense.

**Schedule M
(Bequests to
Surviving
Spouse)**

Schedule M is required in order to claim a deduction for bequests to the surviving spouse. Generally, Schedule M can include all property interests passing from the decedent to the surviving spouse and that are included in the gross estate. (See the IRS instructions for explanations of terminable interests, nondeductible terminable interests, and QTIP elections.)

**Using the
PROP Screen
for Sch. M**

Use the **PROP** screen to enter most of the information for Schedule M:

1. Open the **PROP** screen and complete the applicable fields in the top section of the screen (**Description**, **Value**, etc.)
2. On the **Send to Sch M** line, mark the **Send this information to Schedule M** box (Figure 8).
3. Enter the amount (if different from the value provided) to flow to Schedule M. A statement is generated with the return that lists the property and stated value.

NOTE

By default, the value entered in the **Value** field of the **PROP** screen is carried to Schedule M in the return. To have different amount flow to Schedule M, mark the check box and enter an amount in the **Amount to be carried to Sch M** override field (Figure 8).

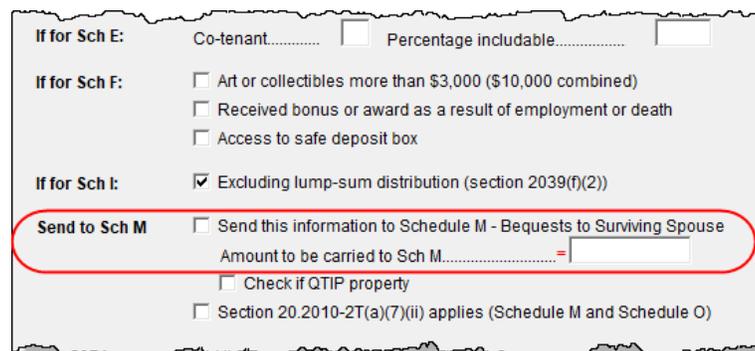


Figure 8: Schedule M section of the **PROP** screen

4. If applicable, mark the box on the **PROP** screen to indicate a **QTIP property** and the **Section 20.2010-2T(a)(7)(ii)** check boxes regarding the amount in the over-

ride field. (There are **QTIP** property and **Section 20.2010-2T(a)(7)(ii)** check boxes on the **M** screen that affect amounts entered on screen **M**.)

Using Screen M for Sch. M

Use screen **M** to report the following Schedule M information:

- **Qualified disclaimers** — To be a qualified disclaimer, a refusal to accept an interest in property must meet the conditions of section 2518. These are explained in Reg. sections 25.2518-1 through 25.2518-3. If property passes to a surviving spouse, place a check mark in box **1** of screen **M** and attach a copy of the written disclaimer required by section 2518(b).
- **Information about the surviving spouse** – Enter information on the surviving spouse’s citizenship status and date of birth.
- **Sect. 2056(b)(7): QTIP** — Use the check box on line **3** to elect out of QTIP Treatment of Annuities. If you want an entry to appear on both section “A1” and section “B1” of Schedule M, mark the **QTIP** and **Section 20.2010...** check boxes (beneath the **Amount** field) on screen **M**. Press PAGE DOWN for a second screen **M**. Do not mark the line **3** check box on the second screen. The first entry will appear in “B1” with additional entries listed on the statement. Only on the first item can you reference the QTIP property.
- **Description of the property in the bequest** — If you entered this information on the **PROP** screen and marked **Send to Sch M**, you do not need to re-enter it here.
- **Information about estate taxes, other taxes, and GST taxes** — Enter the amount of federal state taxes, death taxes, and state and federal GST taxes payable out of property interests described in the **Description** fields.

For more information on completing Schedule M, see Drake Tax’s field-level helps and consult the IRS instructions.

Schedule O (Other Gifts & Bequests)

Schedule O, Charitable, Public, and Similar Gifts and Bequests, must be submitted if the estate included gifts to charities, public gifts, or certain bequests. Here are some steps you might take to complete a Schedule O:

1. If a beneficiary of the decedent is, for instance, a charitable organization, open the **BENE** screen (available from the **Supplemental Forms** tab of the **Data Entry Menu**) and enter the contact information for the charity at the top of the screen. At the bottom of the screen, complete the **Form 706, Schedule O** lines, if applicable. (An amount entered in the **Amount distributed...** override field overrides an amount entered in the **Value** field of the **PROP** screen.)
2. Open a new **PROP** screen (available from the **Form 706 Estate Forms** tab). Enter a **Description** of the bequest to the charity and the **Value**.
3. Click the **Beneficiary Information** tab at the top of the **PROP** screen.
4. Select the charity from the **TIN** drop list and enter the percentage of the property that was (or will be) acquired by the charity.
5. Open screen **O**. If the bequest to the charity (or any charities, if more than one received bequests) is contested, might be contested, or passed to the charity as a result of a qualified disclaimer, mark boxes **1a**, **1b**, or **2**, as appropriate.

NOTE

For any items marked on lines **1a**, **1b**, or **2**, you must provide a statement. Open the **SCH** screen (available on the **Supplemental Forms** tab or by typing SCH in the selector field and pressing ENTER). Give the statement a title—for instance, “Schedule O, line 1b”—and in the large text box, describe the circumstances of the contested transfer. A statement is generated and printed with the return.

- 6.** Enter in the fields on lines **4a**, **4b**, and **4c** any federal estate taxes, death taxes, and state and federal GST taxes payable out of property interests described in the **Description** fields on the **PROP** screens.

For more information on Schedule O, and for information on what attachments may be required, consult the IRS instructions.

Filing Instructions

Form 706 and Form 8971 are filed to different locations. These mailing addresses are listed in the filing instructions generated in View/Print mode.

For more information, consult the IRS instructions for Forms 706 and 8971.

Generation-Skipping Transfer (GST) Tax (Schedules R and R-1)

Drake Tax provides the following screens for completing forms related to GST tax:

- Screen **R** — For Schedule R, Generation-Skipping Transfer Tax, Part 1
- Screen **R2** — For Schedule R, Parts 2 and 3
- Screen **R1** — For Schedule R-1, Direct Skips From a Trust
- Screen **709** — For Schedule R, Part 1, lines 2 (“Total GST exemption allocated by the decedent”) and 3 (“Total GST exemption allocated by the executor”)

These screens are accessible from the **Form 706 Estate Forms** tab of the **Data Entry Menu**. The **R**, **R1**, and **R2** screens are located in the **Deductions** section, the **709** link is on the left side of the menu.

NOTE

Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return, is filed using the 1040 program in Drake Tax. For more information on completing and filing Form 709, see “Gift Tax Returns” in Chapter 5 of the *2019 Drake Tax User’s Manual*.

For more information on providing Form 709 information, see the IRS instructions.

- Schedule R** Because some amounts printed on Part 1 of Schedule R are actually carried from Parts 2 and 3, screen **R** has fields for only item 9 of Part I (“Allocation of GST exemption to trusts”). The screen has space for entering data for up to two items. To add more items, press PAGE DOWN.

1 Estate tax value.....
 2 Taxes borne by property.....
 3 GST taxes borne by property.....
 6 GST exemption allocated.....
 List on Schedule R, Part 2
 List on Schedule R, Part 3

On screen **R2**, you can select whether to have the information printed on Schedule R, Part 2 or on Schedule R, Part 3, by marking the applicable box (figure at left). If both boxes are marked, the information flows to Part 2.

Select the box to have GST information printed in either Part 2 or Part 3 of Schedule R.

Foreign Death Tax (Schedule P; Form 706-CE)

Use the top section of screen **P** to enter data for Schedule P, Credit for Foreign Death Taxes. Use the bottom half of this screen to enter data for Form 706-CE, Certificate of Payment of Foreign Death Tax.

Note that fields for Schedule P and Form 706-CE are located on the same screen. This screen can also be accessed by clicking either **P** or **CE** under the **Form 706 Estate Forms** tab in the **Data Entry Menu**, or by typing either P or CE in the selector field and pressing ENTER.

NOTE

If a foreign government refuses to certify Form 706-CE, the form must be filed directly with the IRS. See IRS instructions for completing Form 706-CE.

Credit for Tax on Prior Transfers (Schedule Q)

Schedule Q is required in order to claim a credit for tax on prior transfers. Use screen **Q** to enter data for Schedule Q. This data is calculated and carried to Form 706, Part 2, line 14 (“Credit for tax on prior transfers”).

Use the top section of screen **Q** to enter transferor information for Schedule Q. Use the rest of screen **Q** to complete the Schedule Q worksheet.

NOTE

To enter multiple transferors, press PAGE DOWN for a new screen **Q**. Transfer amounts from subsequently added transferors appear in columns B and C of the Schedule Q worksheet. A new Schedule Q and Schedule Q worksheet are generated if there are more than three transferors.

Completing Form 706-NA in Drake Tax

Form 706-NA computes estate and generation-skipping transfer (GST) tax liability for nonresident alien decedents. The estate tax is imposed on the transfer of the decedent’s taxable estate rather than on the receipt of any part of it.

To complete this return, you must obtain Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, and its instructions. You must attach schedules

from Form 706 if you intend to claim a marital deduction, a charitable deduction, a qualified conservation easement exclusion, or a credit for tax on prior transfers, or if you answer “Yes” to question 5, 7, 8, 9a, 9b, or 11 in Part 3. You will need the instructions to Form 706 to explain how to value stocks and bonds. Make sure that you use the version of Form 706 that corresponds to the date of the decedent’s death.

Begin the process of completing Form 706-NA by filling out screen **DEMO**, then open screen **NA**, either by clicking the **Prepare Form 706-NA** link on the **DEMO** screen, or clicking the new **Form 706-NA** tab from the **Data Entry Menu** and selecting **NA** (see Figure 9).

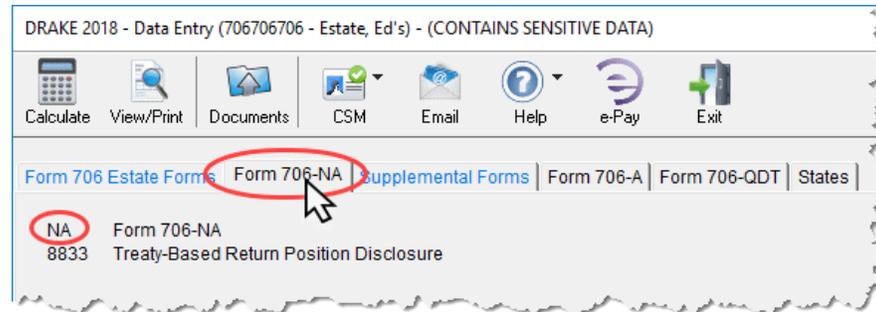


Figure 9: The new **Form 706-NA** tab on the **Data Entry Menu**

Parts 1 and 2 Screen **NA** consists of Part 1, Decedent, Executor, and Attorney, and Part 2, Tax Computation. Complete **Part 1**, including the decedent’s information at the top of the **NA** screen, and the estate’s representatives’ (executor and attorney) information in the middle of the screen.

At the bottom of the screen, **Part 2**, has fields for reporting:

- Taxable gifts
- Unified credit
- Canadian marital credit
- Payments made earlier

“Total taxable gifts” are taxable gifts of tangible or intangible property located in the U.S., transferred by the decedent after December 31, 1976, and not included in the gross estate (see section 2511).

Line 7, “Unified credit,” is an override field. An entry here overrides the maximum unified credit of \$13,000. See the field help (click in the field and press F1) for more information.

In addition to the unified credit, a “Canadian marital credit” — a nonrefundable marital credit — may be allowed if the executor elects this treaty benefit and waives the benefit of any estate tax marital deduction allowable under U.S. law. See the 1995 Canadian income tax treaty protocol for details on computing the credit. Attach a computation of the credit to the return. (Drake Tax prints “Canadian marital credit” on the dotted line to the left of the line 9 entry, as is required.)

Line 15, “Earlier payments” is the amount of any earlier payments made. Attach an explanation for having made those payments. To attach the explanation, open screen **SCH**, available from the **Supplemental Forms** tab of the **Data Entry Menu** or by typing SCH in the selector field and pressing ENTER. Give the statement a title—such as “Earlier Payments”—and type an explanation of the payments in the large text box.

For more information, see the field help for each field and the IRS instructions.

Part 3 Click the **Part 3** tab at the top of the screen to see fields on completing General Information, Schedule A, and Schedule B.

Answer the questions in Part 3. A check mark in a box indicates a “Yes” answer; leave the box blank to answer “No.”

If you answer “Yes” to questions 5, 7, 8, 9a, 9b, or 11, you must attach certain schedules.

For instance, a “Yes” answer to question 5 requires Schedule E, Jointly Owned Property, from Form 706, and a “Yes” answer to question 7 requires an attached Schedule G, Transfers During Decedent’s Life.

In the **Schedule A** section at the bottom of the screen, if you elect to use the alternate valuation date, click the **Gross Estate in the United States** link to open the **PROP** screen and complete the **Alternate Date** and **Alternate Value** fields of the estate property listed.

In the **Schedule B** section, line 2 is for reporting the gross value of the estate outside of the United States.

Line 4 is for deducting the following items whether or not they were incurred or paid in the United States:

- Funeral expenses
- Administration expenses
- Claims against the estate
- Unpaid mortgages and liens
- Uncompensated losses that were incurred during settlement of the estate and that arose from theft or from casualties, such as fires, storms, or shipwrecks

Note that line 4 is an override field. An entry here overrides expenses entered on screen **J**.

See the field help for this line for more information. Access screen **J** from the **Form 706 Estate Forms** tab of the **Data Entry Menu**.

Line 7, “State death tax deduction,” is for deducting death taxes (estate, inheritance, legacy, or succession taxes) paid to any state or the District of Columbia on property listed in Schedule A and entered on the **PROP** screen. (Click the **Gross Estate in the United States** link in the **Schedule A** section to open the **PROP** screen.)

To calculate the deduction for state death taxes, use the formula located in the IRS instructions. Enter the results in the field on line 7.

Treaty-Based Disclosure

Form 8833 must be used by taxpayers to make the treaty-based return position disclosure required by section 6114 and the Regulations section 301.6114-1). The form must also be used by “dual-resident taxpayers” to make the treaty-based return position disclosure required by Regulations section 301.7701(b)-7. Generally, a taxpayer who takes a treaty-based return position must disclose that position, unless reporting is specifically waived. See instructions for exceptions from reporting.

Click the **8833** link from the **Form 706-NA** tab of the **Data Entry Menu** to complete Form 8833, Treaty-Based Return Position Disclosure under Section 6114 or 7701(b).

If you are reporting any items on this return based on the provisions of a death tax treaty or protocol, attach a statement to this return indicating that the return position is treaty-based. See Regulations section 301.6114-1 for details.

Attach a separate Form 8833 for each treaty-based return position taken. Failure to disclose a treaty-based return position may result in a penalty of \$1,000 (\$10,000 in the case of a corporation). (See section 6712.)

Form 706-A

An heir is required to submit Form 706-A, U.S. Additional Estate Tax Return, to report certain additional estate tax imposed by section 2032A. Use the screens listed under the **Form 706-A** tab of the **Data Entry Menu** to enter most 706-A information.

NOTE To file Form 706-A, the qualified heir and the tax preparer must both sign the return.

Part I: Heir and Decedent Information

To enter information for the heir and decedent on Form 706-A:

1. Open the 706-A return in Drake Tax. (For information on creating a new return, or on creating a 706-A return for an existing client, see “Opening an Estate Return for an Individual” on page 10.) By default, the program displays the **DEMO** screen when a new 706 return is created.
2. After verifying that the heir’s name and SSN are correct on the **DEMO** screen, click the **Prepare Form 706-A** link at the top of the **DEMO** screen to open screen **706A**.

NOTE A name can be corrected on screen **DEMO**. If the SSN is incorrect, however, you must select **Tools > File Maintenance > Change ID Number on Return** from the **Home** window menu bar in order to correct it. See the *2019 Drake Tax User’s Manual* for more information on changing an SSN. (PPR users must use another return if changing an SSN, thus reducing the number of their returns.)

3. Alternately, close the **DEMO** screen and go to the **Form 706-A** tab to access the menu listing all Form 706-A screens (Figure 10 on page 32), and then click to open the **706A** screen.

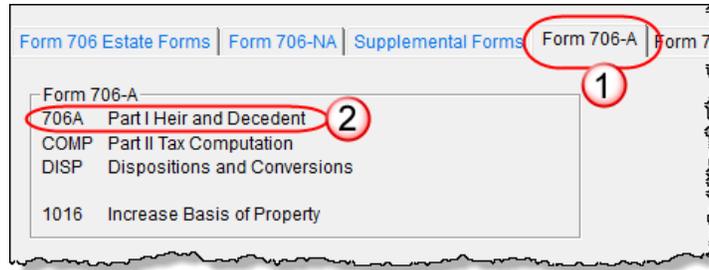


Figure 10: Click the **Form 706-A** tab from the **Data Entry Menu** (#1) and click the **706A** link (#2) to open the **706A** screen.

4. Complete all applicable fields for the qualified heir and the decedent.

NOTES

The **706A** screen also has fields for entering an invoice number, fields for overriding preparation fees, firm, preparer, and data-entry operator information, plus a field for entering a preparer's alternative e-signature PIN.

For more on using these fields, see *2019 Drake Tax User's Manual*.

Part 2: Tax Computation

Use the **COMP** screen to enter data for Form 706-A, Part II, Tax Computation. See the IRS instructions for more information on completing this section of the form.

Form 706-A Schedules

Use the **DISP** screen to enter data for the Form 706-A schedules, listed below:

- Schedule A, Disposition of Specially Valued Property or Cessation of Qualified Use
- Schedule B, Involuntary Conversions or Exchanges
- Schedule C, Dispositions to Family Members of the Qualified Heir

To enter data for one of the Form 706-A schedules:

1. Open the **DISP** screen, accessible from the **Form 706-A** tab.
2. From the **For Schedule** drop list, select the schedule to which the screen should apply (Figure 11 on page 33).

Figure 11: Select a schedule from the **For Schedule** drop list.

3. In the fields provided, enter the description, schedule letter, item number, and disposition date.
 - The **Description** should match that used on the Form 706 filed for the decedent.
 - The **Form 706 Sch** and **Item #** boxes should have the letter and item number used to report the property on the decedent's Form 706.
 - The **Disposition date** is the date of disposition or the date that qualified use ceased for the property.
4. Complete the remaining applicable fields. See the IRS instructions and Drake Tax field helps for more information on specific fields on Schedules A, B, and C.

To enter additional dispositions, press PAGE DOWN.

Section 1016(c) Election

Use the **1016** screen, accessible from the **Form 706-A** tab, to have the heir elect Section 1016(c) to increase the basis of specially valued property. In the first box, enter the amount of interest to be paid on the additional estate tax due because of the Section 1016(c) election. In the other three boxes, enter the Form 706 schedule, item number, and description of the property to which the election is made.

Form 706-QDT

Screens for completing Form 706-QDT, U.S. Estate Tax Return for Qualified Domestic Trusts, can be accessed from the **Form 706-QDT** tab (see Figure 12 on page 34) of the **Data Entry Menu**, or via the link on the **DEMO** screen.

Figure 12: Form 706-QDT Data Entry Menu

NOTE

The **QDT** screen contains override fields for fee, firm, preparer, and data entry operator. It also has fields for assigning an invoice number and entering the preparer's alternative e-signature PIN. For more on using these fields, see *2019 Drake Tax User's Manual*.

Parts I, II, and III

Use the **QDT** screen to enter data for Parts I, II, and III of Form 706-QDT. Use the top half of the screen for Part I, General Information. Use the fields in the **Part II Elections** section (at the lower left side of the screen) to complete Part II, Elections by the Trustee/Designated Filer. Use the fields in the **Part III Tax Computation Override** section (above Part II) to complete Part III, Tax Computation.

Schedule A

Schedule A of Form 706-QDT consists of four parts:

- Part I, Summary of Prior Taxable Distributions
- Part II, Summary of Current Taxable Distributions
- Part III, Summary of Property Remaining in QDOTs at Death of Surviving Spouse
- Part IV, Summary of Marital and Charitable Deductions

Use the **PTI**, **PTII**, **PIII**, and **PTIV** screens to enter data for Parts I, II, III, and IV, respectively. Press PAGE DOWN as needed for additional screens.

Schedule B

Schedule B of Form 706-QDT consists of six parts:

- Part I, General Information
- Part II, Taxable Distributions from Prior Years
- Part III, Current Taxable Distributions
- Part IV, Taxable Property in Trust at Death of Surviving Spouse
- Part V, Marital Deductions
- Part VI, Charitable Deductions

Part I information flows from the **Name of trust** and **Name of designated filer** fields on screen **QDT**. Use screens **PB2**, **PB3**, **PB4**, **PB5**, and **PB6** to enter data for Parts II, III, IV, V, and VI, respectively. Press **PAGE DOWN** as needed for additional screens.

Filing for Extensions (706 and 706-A)

Form 4768, Application for Extension of Time To File a Return and/or Pay U.S. Estate (and Generation-Skipping Transfer) Taxes, must be submitted in order to apply for an automatic six-month extension of time to file either Form 706 or Form 706-A. In Drake Tax, enter all applicable extension request data on screen **EXT**, located under the **Supplemental Forms** tab.

On the top-left corner of the screen, mark the proper box to request an automatic extension or an additional extension (item #1 in Figure 13).

Form 4768 - Application for Extension of Time to File

1 Part II - Automatic extension
 Part II - Additional extension

3 Form 706-A only - Date return is due..... = []
 Extension date requested []

2

Part III - Extension of Time to Pay (Section 6161)

Part IV - Taxes not determined Extension of time to pay []

Request is for tax that will be due when Form 706 is filed

Request is for tax due to amended or supplemental 706

Request is for additional tax due as result of examination of 706

Request is for a section 6166 installment payment

Part IV

1 Amount of estate and GST taxes estimated to be due..... []

2 Amount of cash shortage []

Figure 13: Extension options on screen 4768

If requesting an additional extension, enter the **Extension date requested** (item #2 in Figure 13).

Executor Not Filing 4768

If someone other than the estate executor is filing Form 4768 for the estate return, enter that person's name in the text box at the top of the screen, and additional filer information in the **Signature and Verification** section in the lower half of the screen. Use Drake Tax's field-level helps for more information on completing each field.

Form 706-A Due Date

On the **EXT** screen, the **Form 706-A only - Date return is due** box (item #3 in Figure 13) is used only to override the **Disposition date** from the **DISP** screen of the **Form 706-A** tab. The due date will be six months after this date.

NOTE

A date is required in either the **Form 706-A only - Date return is due** box on the **EXT** screen or in the **Disposition date** field of the **DISP** screen in order to file the extension. If there were no dispositions or conversions, enter the date on the **EXT** screen.

Extension Request & Amounts to Pay

Use **Part III** of screen **4768** to request an extension of time to pay estate taxes. After selecting the appropriate box on the left side of the screen, enter a date in the **Extension of time to pay** text box on the right side of the screen. Use **Part IV** to enter the estimated amount of estate and GST tax due and the amount of cash the estate is short of the required total.

Explanation

In the lower half of screen **EXT**, use the **Explanation** text box to enter an explanation for the extension request. This explanation is carried to a statement that is generated when Form 4768 is printed.

Filing after Extension

If the extension request has already been filed and your client is now ready to file the return, take the following steps:

1. (706 only) On screen **1**, mark the **Time to file this Form 706 was extended** box.
2. On screen **EXT**, select the **Extension was previously filed...** box at the bottom of the screen.

When the return is generated, the program produces a client results letter telling the client that the return has been prepared and should be signed rather than an Extension Letter (telling the client that an extension application has been prepared) with the return.

Amending a Return (706 Only)

To amend an estate (Form 706) return that has already been filed, file another Form 706. Go to screen **DEMO**, select **Amended return**. The words “Supplemental Information” are automatically printed on the amended return. Attach pages 1, 2, 3, and 4 of the original return before mailing.

Supplemental Forms

Various other screens may be needed for estate returns. To see these screens, open the **Supplemental Forms** tab from the **Data Entry Menu**.

Life Insurance

Use the **712** screen (Form 712, Life Insurance Statement), accessible from the **Supplemental Forms** tab, to enter information on any life insurance policies that covered the decedent. Note that the **712** screen actually consists of two screens. After entering the requested information about the policy, press PAGE DOWN to complete the additional fields.

A separate **712** screen must be completed for each policy. For additional **712** screens, press CTRL+SHIFT+PAGE DOWN.

Election Options

Certain election options from the IRS code are available for 706 filers. Use the **ELEC** screen, accessible from the **Supplemental Forms** tab, to indicate election options.

Claim for Refund and Request for Abatement (Form 843)

Use screen **843** to complete Form 843, Claim for Refund and Request for Abatement, to claim a refund or request abatement of certain taxes, interest, penalties, fees, and additions to tax.

Screen **843** is available from the **Supplemental Forms** tab or by typing 843 in the selector field and pressing ENTER.

Mail Form 843 to the service center where you would file a current-year tax return for the tax to which the claim or request relates unless responding to IRS letter or notice. See IRS instructions for the return you are filing.

Form 911 Filing Requirements

Form 911, Request for Taxpayer Advocate Service Assistance, can be completed through Drake Tax. The Taxpayer Advocate Service (TAS) is the taxpayer's voice at the IRS. TAS may be able to help if the taxpayer (estate or beneficiary) is experiencing a problem with the IRS and:

- The problem with the IRS is causing financial difficulties for the estate or beneficiary
- The estate or beneficiary faces an immediate threat of adverse action
- The estate or beneficiary has tried repeatedly to contact the IRS, but no one has responded, or the IRS has not responded by the date promised.

Screen **911** is accessible from the **Supplemental Forms** tab

For more information, log on to the TAS website at taxpayeradvocate.irs.gov/get-help, read Publication 1546, Taxpayer Advocate Service, or call, toll-free, (877) 777-4778.

Other Screens

On the **Supplemental Forms** tab is the link to screen **PC**, used to complete Schedule PC, Protective Claim for Refund. This is a protective claim for refund preserves the estate's right to a refund of tax paid on any amount included in the gross estate which would be deductible under section 2053 but has not been paid or otherwise will not meet the requirements of section 2053 until after the limitations period for filing the claim has passed.

For information on the other supplemental screens—such as the **BILL** screen, the **LTR (Letter)** screen, the **NOTE (Preparer's Notes)** screen, the **PAD (Preparer's Notepad)** screen, the **SCH (Attached Statement)** screen, or the **8822 (Change of Address)** screen—see the *2019 Drake Tax User's Manual*.

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