# Frequently asked questions on preparing Form 8971

**Note:** Preparing Form 8971 may require changing the way that information was originally entered in the 706 program. In order to preserve a copy of the original return, we recommend making a copy of your client and working in the copy to make changes necessary to complete the form. Use the **Save As** command on the **File** menu to create a duplicate client (clone) and then work in the clone to complete Form 8971 and the 8971 Worksheet.

## General Questions:

1. *Will there be an 8971 program for 2014 estate tax returns?*

   For dates of death in 2014 and prior, you have to use the 8971 Export Utility. Please call your sales representative for more about this free utility, which is included with the 706 program.

2. *Is Form 8971 required for decedents who died in 2013 but the 706 was not filed until 2014?*

   Form 8971 is required for any estate that files a 706 after July, 2015, regardless of the decedent's date of death.

3. *Do you have to file Form 8971 for an estate that files its original 706 prior to July, 2015, but files a supplemental 706 after July, 2015?*

   It is not clear that Form 8971 is required under these circumstances.

4. *Should we file Form 8971 if the 706 return was filed only to elect portability?*

   No, you don't have to file Form 8971 if you file a 706 just to make an election such as portability or a GST tax election or allocation.

5. *Where can we find the proposed and temporary regulations?*

   - You can find the proposed regulations at:

     *https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-04718.pdf*

   - You can find the temporary regulations at:

     *https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-04716.pdf*

6. *Has the IRS issued rules to allow for extending the due date of the 8971?*

   There is no extension for Form 8971. Returns that were due on or before March 31, 2016, are due on March 31, 2016.

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**What to report and how to exclude items from Schedule A:**

7. *If the executor has not determined what assets are to be distributed to beneficiaries by the due date of Form 8971, can you show on the beneficiary's Schedule A, 100% of all the assets that may be distributed to each beneficiary? And file a supplement when you've determined what assets are to be distributed to whom?*

   Yes, you can show 100% of each asset that may be distributed to a beneficiary if the executor has not determined what assets will be used to satisfy the interest of each beneficiary by the due date of the return. This means you will be reporting more than 100% of each asset as distributable. Once the exact distribution has been determined, the executor may, but is not required to, file and furnish a supplemental Form 8971. (§1.6035-1(c)(3))

8. *Do you have to file a supplemental 706 in order to show what assets were distributed differently than reported on Form 8971; even if the values of all assets were split evenly between the beneficiaries on Form 8971?*

   A change in the way assets were allocated (among beneficiaries) on Schedule A (Form 8971) shouldn't require a supplemental 706 but it could require a supplemental Form 8971.

9. *Do you have to report assets that are sold (or to be sold) on Form 8971?*

   Assets that are sold are not available for distribution so they are not to be reported on Form 8971. Assets that are to be sold as part of the estate administration (e.g. to pay expenses or cash bequests) should not be reported on Form 8971; even if the sale occurs after the due date of the return. Only assets that are distributed (or distributable) to beneficiaries are to be reported on the form.

10. *Do you have to report cash and cash equivalents on Form 8971?*

    No. There are four types of assets that are excluded on the form: cash, IRD, certain tangible personal property and property that is sold, exchanged, or otherwise disposed of in a transaction in which capital gain or loss is recognized.

11. *Are distributions/bequests of items on Schedule I (Form 706) to be reported on Schedule A (Form 8971)?*

    Not if the items are income in respect of a decedent – IRD is not to be reported on Form 8971.

12. *What if there are purchases during the estate administration that will ultimately be distributed? How does the program incorporate the purchases on the 8971?*

    Assets that are purchased during the estate administration are not to be reported on the form. Only assets received from a decedent or as a result of the decedent's death are to be reported.

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**Working with Form 8971 and the 8971 Worksheet**:

13. *How do you suppress printing assets that are sold or otherwise excluded on Form 8971?*

    a. Select the **Manual** option in the **Calculation** box (at the top of the 8971 Worksheet);

    b. Select the asset in the **Assets** grid; and then

    c. Clear the **Print** checkbox for each beneficiary listed in the **Beneficiaries** grid.

14. *If you change to "Manual" to suppress printing cash (or any other asset), should you change back to "Automatic"?*

    No, switching from **Manual** to **Automatic** will restore the default calculations in each of the three aqua columns; that would re-select the **Print** checkbox.

15. *How are assets allocated to a beneficiary and how can I edit that?*

    Assets are allocated to beneficiaries based on the information in the beneficiary record: **Percent of Residue** and **Specific Bequests**. Amounts entered on the **Pre-Residuary Bequests** tab are ignored. If a beneficiary has no other interest except what's reflected on the **Pre-Residuary Bequests** tab, that beneficiary is ignored. You can add the beneficiary to the **8971 Worksheet** by entering the beneficiary's interest as a percent of residue or as a specific bequest.

16. *How do I edit the contents of the "Percent", "Incr'd Tax?" and "Print" columns?*

    Select **Manual** under **Calculation** to edit information in these columns. Select **Amount** or **Percent** under **Value Type** to edit the estate tax value or the percent of the estate tax value, respectively. Do not switch to **Automatic** once changes have been made or you will lose your changes when the automatic calculations are restored.

17. *How were the assets held in a brokerage account set up in the 706 program to facilitate sorting by broker on the 8971 Worksheet?*

    Use the **Group Header** feature in the 706. Assets grouped this way on the 706 can be sorted by group in the 8971 Worksheet.

18. *How do you edit the number of shares for an asset that was partially sold during administration?*

    You don't have to. Just enter the estate tax value of the beneficiary's interest in the property and the program will express the beneficiary's interest in the property as a percent of the total shares/units held at death.

19. *How can you edit the text of the description of property on the 8971 worksheet?*

    The description of property on the 8971 worksheet is the name of the asset and it is edited through the **Original Asset** record. Go to the 706 schedule containing the asset and double-click the asset name. You could also open the **Original Asset** record from the A/T browser. The program will update the asset name whether you are in **Automatic** or **Manual** calculation mode. You cannot edit the schedule reference to the asset. If you use the **8971 Export Utility** to transfer the data to an Excel spreadsheet, you will have more control over the description that is printed in Column B of Schedule A, Part 2.

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**20. Are the assets on the 8971 Worksheet adjusted for sales or other dispositions?**

Only transactions that affect alternate value are taken into account; and then only when the alternate value election is made – just like the 706. If the alternate value election was not made, assets on the 8971 Worksheet are the date of death positions. If the alternate value election is made, transactions that occurred during the alternate value period (within six months of death) are taken into account in determining the asset positions that are reflected on the worksheet.

## Working with Valuation Services:

**21. Can you import values directly from EstateVal software to the 8971?**

Yes, but to ensure that you preserve the original 706, as filed, clone your client and then import into the clone. Always work in an "8971 version" of the client.

**22. I use a valuation service (like EstateVal) to obtain date of death and/or alternate values and, instead of entering each item into the 706, I enter a lump sum amount and attach the valuation report in support of the lump sum amount. How could this be handled on Form 8971?**

First, use the **Save As** command on the **File** menu to create a clone of the 706 that was filed and then work in the clone. Import the securities and values into the cloned client and, using the sorting tool, arrange the items (on each schedule that is affected) in the same order as they were listed on the supporting schedule that was attached to the original return. If you didn't value the securities yourself, you may be able obtain the export file (it's a **.PRN** file) from the vendor who did the valuation. Just tell them you want the ONESOURCE (for Appraise) or Fast-Tax FPS (EstateVal) export file. After you've imported the data, you can also use the **8971 Export Utility** to transfer it to an Excel worksheet where you'll have more control over the contents of the attachments. For example, you could change the default reference (to the asset) to "Schedule B Attachment, Item 1."

## Other questions:

**23. When you use the 8971 Export program to prepare the 8971 for a 2014 return, do you have to enter the dollar values in for each asset that goes to each beneficiary?**

Yes. Currently the program imports the 706 schedule and item number, number of units, a description of the property, whether or not the asset increased the estate tax liability and the valuation date – you have to enter the estate tax value.

**24. Do you always select date of death values rather than alternate values for form 8971?**

No, the values to be used are the estate tax values, which are date of death values if you did not elect to use alternate values on the 706 that was filed. Both the 8971 program in the 2015 706 and the 8971 Export Utility will use the appropriate values automatically. Just clone the original 706 and don't change that election after doing so.

**25. If you keep an accounting and show distributions of assets, would that carry over to the 706 for the 8971?**

No, the program doesn't pick up distributions from the accounting. But you can simulate that in the 8971 by entering the distributed assets as specific bequests (in the clone.)