

Instructions for Form 8971 and Schedule A

(Rev. September 2016)



Department of the Treasury
Internal Revenue Service

Information Regarding Beneficiaries Acquiring Property From a Decedent (For use with Form 8971 (Rev. January 2016))

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 8971 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form8971.

General Instructions

Purpose of Form

The Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 requires executors of an estate and other persons who are required to file Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return or Form 706-NA, United States Estate (and Generation-Skipping Transfer) Tax Return Estate of nonresident not a citizen of the United States, to report the final estate tax value of property distributed or to be distributed from the estate, if the estate tax return is filed after July 2015. Form 8971, along with a copy of every Schedule A, is used to report values to the IRS. One Schedule A is provided to each beneficiary receiving property from an estate.



Provide each beneficiary only with a copy of that beneficiary's own Schedule A. Do not provide a copy of the Form 8971 with or without attached Schedule(s) A to any beneficiary.

Certain property received by a beneficiary may be subject to a consistency requirement, meaning that the beneficiary can't use a value higher than the value reported on Schedule A as the beneficiary's initial basis in the property.

Who Must File

An executor of an estate or other person(s) required to file Form 706 or Form 706-NA under sections 6018(a) and 6018(b), if the return is filed after July 2015, and whether or not that form is filed timely, is required to file Form 8971 with attached Schedule(s) A with the IRS and to provide each beneficiary listed on the Form 8971 with that beneficiary's Schedule A. See the Instructions for Form 706 or Form 706-NA, for more information on the filing requirement for those forms.

Form 8971 isn't required when:

- The gross estate plus adjusted taxable gifts is less than the basic exclusion amount;
- Estate tax-related forms (for example, Forms 706-QDT, 706-CE, and 706-GS(D), other than those mentioned above are filed;
- The estate tax return is filed solely to make an allocation or election respecting the generation-skipping transfer tax; or
- The estate tax return is filed solely to elect portability of the deceased spousal exclusion amount (DSUE).

When To File

Form 8971 (including all attached Schedule(s) A) must be filed with the IRS and only the Schedule A is to be provided to the beneficiary listed on that Schedule A, no later than the earlier of:

- The date that is 30 days after the date on which Form 706 or Form 706-NA is required to be filed (including extensions) with the IRS; or
- The date that is 30 days after the date Form 706 or Form 706-NA is filed with the IRS.

If the first Form 706 or Form 706-NA is filed both after the form's due date (including extensions) and after July 2015, the Form 8971 and Schedule(s) A are due 30 days after the filing date.

Form 8971 is a separate filing requirement from the estate's Form 706 or Form 706-NA, and shouldn't be attached to the respective estate tax return. Form 8971 and attached Schedule(s) A must be filed with the IRS, separate from any and all other tax returns filed by the estate.

Note. Notice 2016-27, 2016-15 I.R.B. 576, available at www.irs.gov/irb/2016-15_IRB/index.html, made June 30, 2016, the due date for:

- All Forms 8971 (including the attached Schedule(s) A) required to be filed with the IRS after July 31, 2015, and before June 30, 2016; and
- All Schedules A required to be provided to beneficiaries after July 31, 2015, and before June 30, 2016.

Note. If the due date falls on a Saturday, Sunday, or legal holiday, the executor of an estate or other person(s) may file on the next business day.

Where To File

File Form 8971 (including all Schedule(s) A) at the following address.

Department of the Treasury
Internal Revenue Service Center
Mail Stop #824G
Cincinnati, OH 45999

A beneficiary can be provided Schedule A:

- In person to an individual beneficiary, to the trustee(s) of a beneficiary trust, or to the executor(s) of a beneficiary estate;
- By email;
- By U.S. mail to the beneficiary's last known address; or
- By private delivery service to the beneficiary's last known address (see below).

The executor of the estate (or other person required to file) must certify on Form 8971, Part II, column D, the date on which Schedule A was provided to each beneficiary and should keep proof of mailing, proof of delivery, acknowledgment of receipt, or other information relevant for the estate's records. In cases where a trust or another estate is a beneficiary and has multiple trustees or executors, providing Schedule A to one trustee or executor is enough to meet the requirement.

Private delivery services. Certain private delivery services designated by the IRS may be used to meet the "timely mailing as timely filing" rule for tax returns. These private delivery services include only the following.

- DHL Express 9:00, DHL Express 10:30, DHL Express 12:00, DHL Express Worldwide, DHL Express Envelope, DHL Import Express 10:30, DHL Import Express 12:00, and DHL Import Express Worldwide.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, FedEx International First, FedEx First Overnight, FedEx International Next Flight Out, and FedEx International Economy.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, UPS Worldwide Express, and UPS Next Day Air Early AM.

For the IRS mailing address to use if you are using a private delivery service, go to [IRS.gov](https://www.irs.gov) and enter "private delivery service" in the search box.

The private delivery service can tell you how to get written proof of the mailing date.

Supplemental Forms 8971 and Schedules A

The value of the property to be reported on the initial Form 8971 and the attached Schedules A is the fair market value of the asset as reported on the estate tax return. However, the final value for purposes of the federal estate tax may differ from that reported on the estate tax return. A value is considered "final" when:

- The value of the property shown on an estate tax return filed with the IRS isn't contested by the IRS before the period of assessment expires;
- The value of the property is specified by the IRS and isn't timely contested by the estate (or other person required to file under section 6018(b)); or
- The value of the property is determined by a court or pursuant to a settlement agreement with the IRS, including the resolution of a claim for abatement or refund.

If information reported on Form 8971 and the Schedule(s) A filed with the IRS or provided to a beneficiary differs from the final value (as the result of the resolution of a valuation dispute or otherwise), the executor or other person required to make this filing must file a supplemental Form 8971 and affected Schedule(s) A with the IRS and provide an updated supplemental Schedule A to each affected beneficiary no later than 30 days after the adjustment. See *Where To File*, earlier. On both the supplemental Form 8971 and each supplemental Schedule A, the "Supplemental Filing" box should be checked and only the information that has changed should be reported.

If the initial Form 8971 and Schedule(s) A identify several beneficiaries who might receive the same property, the estate may, but isn't required to, file a supplemental Form 8971 and Schedule(s) A to specify the actual distribution of that property among the identified beneficiaries.

If the executor or other person required to file Form 8971 has been notified that a Form 706 or Form 706-NA, related to the Form 8971 and Schedule(s) A has been selected for examination, a copy of the supplemental Form 8971 with attached supplemental Schedule(s) A should be provided to the office conducting the examination.

Rounding Off to Whole Dollars

The value of property should be reported in U.S. dollars and rounded to whole-dollar amounts. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1 and \$2.55 becomes \$3. If you add two or more amounts to figure an item's value, include the cents when adding the amounts and round off only the total.

Penalties

Note. An executor may be subject to penalties for failure to file and/or furnish correct Forms 8971 and Schedule(s) A even if there was no tax due on the estate tax return.

Failure to file correct Forms 8971 by the due date (section 6721). If the executor of an estate or other person required to file Form 8971 fails to file a correct Form 8971 and/or Schedule A with the IRS by the due date and reasonable cause isn't shown, a penalty may be imposed. The penalty applies if there is a failure to file timely, a failure to include all information required to be shown on the form or schedule, a failure to include correct information on the form or schedule, or a failure to file a correct supplemental Form 8971 and/or Schedule A by the due date. A complete Form 8971 includes all Schedule(s) A.

Only one penalty will apply for all failures relating to a single filing of a single Form 8971 and the Schedule(s) A required to be filed along with it. Each filing of a Form 8971 with Schedule(s) A is a separate filing, regardless as to whether the filing is of the initial Form 8971 and Schedule(s) A or a supplemental Form 8971 and Schedule(s) A.

The amount of the penalty depends on when the correct Form 8971 with Schedule(s) A is filed.

The penalty is as follows.

- \$50 per Form 8971 (including all Schedule(s) A) if it is filed within 30 days after the due date. The maximum penalty is \$532,000 per year (or \$186,000 if the taxpayer qualifies for lower maximum penalties, as described below).
- \$260 per Form 8971 (including all Schedule(s) A) if it is filed more than 30 days after the due date or if it isn't filed. The maximum penalty is \$3,193,000 per year (\$1,064,000 if the taxpayer qualifies for lower maximum penalties, as described below).

All penalty amounts shown are subject to adjustment for inflation.

Lower maximum penalties. You qualify for lower maximum penalties if your average annual gross receipts for the 3 most recent tax years (or for the period

you were in existence, if shorter) ending before the calendar year in which the information returns were due are \$5 million or less.

Intentional disregard of filing requirements. If any failure to file a correct Form 8971 or Schedule A is due to intentional disregard of the requirements to file a correct Form 8971 and Schedule(s) A, the minimum penalty is at least \$530 per Form 8971 and the Schedule(s) A required to be filed with it, with no maximum penalty.

Inconsequential error or omission. An inconsequential error or omission isn't considered a failure to include correct information. An inconsequential error or omission doesn't prevent or hinder the IRS from processing the Form 8971 and the Schedule(s) A required to be filed along with it. Errors and omissions that are **never** inconsequential are those related to a TIN, a beneficiary's surname, and the value of the asset the beneficiary is receiving from the estate.

Note. A TIN is a Social Security Number (SSN), an Employer Identification Number (EIN), an Individual Taxpayer Identification Number (ITIN), or any other number used by the IRS in the administration of tax laws. See *Part II—Beneficiary Information*, later, for information on obtaining the TIN of a beneficiary of the estate.

Failure to furnish correct Schedules A to beneficiaries by the due date (section 6722). If the executor of an estate or other person required to file Form 8971 fails to provide a correct Schedule A to a beneficiary and doesn't show reasonable cause, a penalty may be imposed. The penalty applies if there is a failure to provide the Schedule A by the due date, a failure to include all information required to be shown on the schedule, a failure to include correct information on the schedule, or a failure to provide a correct supplemental Schedule A by the due date. The penalty applies for each Schedule A required to be provided.

The amount of the penalty depends on when a correct Schedule A is provided.

The penalty is as follows.

- \$50 per Schedule A if it is provided within 30 days after the due date. The maximum penalty is \$532,000 per year (or \$186,000 if the taxpayer qualifies for lower maximum penalties, as described below).
- \$260 per Schedule A if it is provided more than 30 days after the due date or if it isn't provided. The maximum penalty is \$3,193,000 per year (\$1,064,000 if the taxpayer qualifies for lower maximum penalties, as described below).

All penalty amounts shown are subject to adjustment for inflation.

Lower maximum penalties. You qualify for lower maximum penalties if your average annual gross receipts for the 3

most recent tax years (or for the period you were in existence, if shorter) ending before the calendar year in which the information returns were due are \$5 million or less.

Intentional disregard of filing requirements. If any failure to provide a correct Schedule A is due to intentional disregard of the requirements to provide correct Schedules A, the penalty is at least \$530 per Schedule A with no maximum penalty.

Inconsequential error or omission. An inconsequential error or omission isn't considered a failure to include correct information. An inconsequential error or omission can't reasonably be expected to prevent or hinder the beneficiary from timely receiving correct information and using the information to report basis on the beneficiary's own return. Errors and omissions that are **never** inconsequential are those related to (a) the value of the asset the beneficiary is receiving from the estate, and (b) a significant item in a beneficiary's address.

Reasonable cause exception to the penalties for failing to file Forms 9971 and Schedules A and for failing to provide Schedules A to beneficiaries. The penalties for failing to file correct Form 9971 and Schedules A with the IRS and for failing to provide correct Schedules A to beneficiaries won't apply to any failure that is shown to be due to reasonable cause and not to willful neglect. In general, it must be shown that the failure was due to an event beyond the taxpayer's control or due to significant mitigating factors. It must also be shown that the executor or other person required to file acted in a responsible manner and took steps to avoid the failure.

Penalties for Inconsistent Filing

Beneficiaries who report basis in property that is inconsistent with the amount on the Schedule A may be liable for a 20% accuracy-related penalty under section 6662.

Obtaining Forms and Publications To File or Use

You can access the IRS website 24 hours a day, 7 days a week, at IRS.gov to:

- Download forms, instructions, and publications;
- Order IRS products;
- Research tax questions;
- Search publications by topic or keyword; and
- Sign up to receive local and national tax news by email.

Specific Instructions

Complete Form 9971 and each attached Schedule A in its entirety. A form or

schedule filed with the IRS without entries in each field won't be processed. A form with an answer of "unknown" won't be considered a complete return.

Part I — Decedent and Executor Information

Line 3. Enter the SSN of the decedent. If the decedent didn't have an SSN, the executor (or other person required to file Form 706) should obtain one for the decedent by filing Form SS-5, Application for a Social Security Card. You can get Form SS-5 online at www.socialsecurity.gov or by calling the SSA at 1-800-772-1213.

Line 4. If there is more than one executor, enter the name of one executor and see the instructions for line 8.

Line 6. Provide only the TIN of the executor listed on line 4 and see the instructions for line 8.

Line 7. Provide only the address of the executor listed on line 4. Use Form 8822, Change of Address, to report a change of the executor's address. Also, see the instructions for line 8.

Line 8. Check the box and attach a statement with the name, address, telephone number, and TIN of each executor (if any) other than the one named on line 4.

Line 9. If the executor made an election on the estate tax return to use alternate valuation under section 2032, provide the alternate valuation date.

Part II — Beneficiary Information

A beneficiary is an individual, trust, or other estate who has acquired (or is expected to acquire) property from the estate. If the executor is also a beneficiary who has acquired (or is expected to acquire) property from the estate, the executor is a beneficiary for purposes of the Form 9971 and Schedule A.

Column A. Enter the name of each individual, trust, or other estate that acquired (or is expected to acquire) property from the estate. Retain a copy of the Form 9971 (including all attached Schedule(s) A) for the estate's records.

Column B. Enter the TIN of each beneficiary listed. If the executor of the estate solicited a beneficiary's TIN in writing and hasn't received it, enter "requested" and attach a copy of the solicitation to Form 9971 to avoid inquiries from the IRS. A supplemental Form 9971 and corresponding Schedule A must be filed with the IRS once the TIN has been obtained.

Note. Some foreign beneficiaries may not be required to provide a TIN to the estate. If the foreign beneficiary isn't required to provide a TIN, enter "Not Required" in the TIN entry space.

Column D. For each beneficiary, enter the date on which the executor gave Schedule A to the beneficiary. See *Where To File*, earlier.

Return preparer. Permission to discuss the Form 9971 is limited to the information reported on (or required to be reported on) the Form 9971 and attached Schedule(s) A and doesn't authorize the return preparer to represent the estate before the IRS or to enter into any agreements with the IRS regarding the Form 9971 and attached Schedule(s) A.

Complete and attach Form 2848, Power of Attorney and Declaration of Representative, if the executor would like the return preparer to represent the estate before the IRS with respect to the Form 9971 and Schedule(s) A or any other matter related to the estate. Completing Form 2848 may authorize the person designated on that form to sign agreements, consents, waivers, or other documents.

Note. When completing Form 2848, remember the executor, not the estate, is the "taxpayer" to be listed in line 1, and the TIN listed should also be the executor's TIN. Also, when filling out line 3, enter "Civil Penalties" in the Description of the Matter column, "Form 9971/Schedule A" in the Tax Form Number column, and the decedent's date of death using the four-digit year and two-digit month as "YYYYMM" in the Year(s) or Period(s) column.

Anyone who is paid to prepare the Form 9971 and/or any Schedule A must sign the form as a paid preparer and give a copy of the completed Form 9971 and/or Schedule(s) A to the executor required to file Form 706 or Form 706-NA.

Note. A paid preparer may sign original or amended returns by rubber stamp, mechanical device, or computer software program.

Signature and Verification

All executors shown on Form 9971 and listed on any attached statement are responsible for the reporting requirements related to Form 9971 and Schedule(s) A. However, it is enough for only one of the executors to sign Form 9971.

Form 9971 is signed under penalties of perjury and all executors are responsible for the information included on Form 9971 and Schedule(s) A as filed with the IRS and Schedules A provided to beneficiaries. All executors are also liable for all applicable penalties.

Schedule A — Information Regarding Beneficiaries Acquiring Property From a Decedent

Executors of estates filing Form 8971 are required to complete a Schedule A for each beneficiary that acquired (or is expected to acquire) property from the estate. You will need a copy of the Form 706 or Form 706-NA filed by the estate of the decedent to complete this schedule. All property acquired (or expected to be acquired) by a beneficiary must be listed on that beneficiary's Schedule A. If the executor hasn't determined which beneficiary is to receive an item of property as of the due date of the Form 8971 and Schedule(s) A, the executor must list all items of property that could be used, in whole or in part, to fund the beneficiary's distribution on that beneficiary's Schedule A. (This means that the same property may be reflected on more than one Schedule A.) A supplemental Form 8971 and corresponding Schedule(s) A may, but aren't required to, be filed once the distribution to each such beneficiary has been made.

Note. A cash bequest acquired (or expected to be acquired) by a beneficiary isn't considered reportable property for purposes of Form 8971/Schedule A.

Use and duplicate page A-2 (Schedule A—Continuation Sheet) if additional space is needed to list the property acquired (or expected to be acquired) by a beneficiary. Attach a copy of each completed Schedule A to Form 8971 and submit to the IRS. Provide a copy of each Schedule A only to the beneficiary named on that Schedule A. Do not provide a copy of the Form 8971 to a beneficiary. See the instructions under *Where To File*, earlier.

Column A. Number the items received by the beneficiary. Continue this numbering on page A-2 of the Schedule A—Continuation Sheet (if necessary).

Column B. Use the same description in column B that the executor used for the property on the Form 706 or Form 706-NA. Include in column B the schedule and item number where the property was reported on Form 706 or Form 706-NA, as applicable.

If the beneficiary acquired (or is expected to acquire) a joint interest, fractional interest, or any other interest in property which is less than 100% of the interest reported on the estate tax return, indicate the interest in the property the beneficiary will acquire.

Listings of bulk assets may be attached to Schedule A in lieu of a detailed

description of each item that has been acquired (or is expected to be acquired) by a beneficiary. The listing should consist of a related property (for example, stocks held in a single brokerage account) and only include information relevant to basis reporting such as name/description of the property, value, and valuation date. Do not attach property appraisals to Schedule A.

For more information on details to be included by asset type or schedule, see the Instructions for Form 706 or Form 706-NA.

Column C. An entry (Y or N) is required in this column for each asset. Indicate "Y" only if estate tax was generated and the asset contributed to the estate tax (for example, the asset wasn't subject to a marital or charitable deduction).

Generally, any property that qualifies for a marital deduction under section 2056 or 2056A or a charitable deduction under section 2055 won't generate estate tax and "N" should be indicated.

Column D. Generally, the valuation date of property will be the decedent's date of death. If the estate elected to use an alternate valuation date, list the value of the property on the alternate valuation date. See section 2032 for additional guidance.

Column E. List the value reported on Form 706 or Form 706-NA. The value reported in column E should be the fair market value as of the decedent's date of death or any alternate valuation date used for the estate tax return. This value shouldn't reflect any post-death adjustment in value. The full fair market value of the property acquired (or expected to be acquired) by the beneficiary is to be reported in column E. This value shouldn't factor in mortgages, non-recourse indebtedness, or other decreases in equity.

For partial interests of property, (including life estates and usufructs) the value reported should reflect the proportional value of the partial interest for each beneficiary. For example, an estate has property valued on the Form 706 at \$400,000. The property is being distributed to Beneficiary 1, receiving a 75% interest in the property, and Beneficiary 2, receiving a 25% interest in the property. Schedule A, Part II, column E should reflect \$300,000 on the Schedule A for Beneficiary 1 and \$100,000 on the Schedule A for Beneficiary 2. If the value reported on a Schedule A that has already been filed with the IRS or provided to a beneficiary changes (as a result of the resolution of a valuation issue or otherwise), you must file a supplemental Form 8971 and associated Schedule(s) A with the IRS and provide an updated Schedule A to each affected beneficiary no later than 30 days after the adjustment.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. Sections 6035 and 6109, and the regulations require you to provide this information.

You aren't required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires the Internal Revenue Service to disclose information from this form in certain circumstances. For example, we may disclose information to the Department of Justice for civil or criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths or possessions for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal non-tax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. Failure to provide this information, or providing false information, may subject you to penalties.

The time needed to complete and file this form and related schedules will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	3 hr., 49 min.
Learning about the law or the form	42 min.
Preparing, copying, assembling, and sending the form to the IRS	47 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can send us comments from www.irs.gov/formspubs/. Click on "More Information" and then on "Give us feedback." You can also send your comments to the Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the tax form to this address. Instead, see *Where To File*, earlier.