

Tennessee Inheritance Tax Guide



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TENNESSEE INHERITANCE TAX GUIDE

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TENNESSEE INHERITANCE TAX

General Information

What Is Inheritance Tax?

Inheritance tax is imposed on the value of the decedent's estate that exceeds the exemption amount applicable to the decedent's year of death. The net estate is the fair market value of all assets, less any allowable deductions such as property passing to a surviving spouse, debts and administrative expenses. The inheritance tax is paid out of the estate by the executor, administrator or trustee.

Note: The inheritance tax is repealed for dates of death in 2016 and after.

Who Must File?

Estates of Tennessee residents with a gross value in excess of the exemption allowed for the year of death must file an inheritance tax return (INH 301). Also, estates of nonresidents holding property in Tennessee must file an inheritance tax return (INH 301).

If the value of the gross estate is below the exemption allowed for the year of death, an inheritance tax return is not required. However, if the estate is undergoing probate, a short form inheritance tax return (INH 302) is required.

In all cases, once an inheritance tax return is filed, reviewed, and payment of all taxes due (if any) is remitted, the department will issue an Inheritance Tax Closure Certificate.

Line-by-line instructions for the INH 301 form follow in this guide. Instructions for the short form (INH 302) are on the form itself.

What is the Exemption Amount?

The exemption available depends on the date of the decedent's death:

<u>Date of Death</u>	<u>Estate Gross Value Exemption Amount</u>
2005	\$950,000
2006 – 2012	\$1,000,000
2013	\$1,250,000
2014	\$2,000,000
2015	\$5,000,000
2016 and after	No Tennessee state inheritance tax imposed for decedents dying after December 31, 2015.

Due Date of Returns

Returns are required to be filed within nine months of the date of death.

Extensions

An extension of up to one year is granted provided one of the following is attached to the return filed on or before the extended due date:

- Tennessee INH304 Application for Extension of Time to File Inheritance Tax Return.
- Federal form 4768 Application for Extension of Time to File a Return and/or Pay U.S. Estate Tax.

An estate with a valid extension will not owe penalty if the return is filed by the extended due date.

Interest will accrue from the original due date of the return until payment of the tax due is received. Estimated payments may be submitted with form INH304.

Where to File

Mail the completed tax form and remit payment to:

Tennessee Department of Revenue
Andrew Jackson State Office Building
500 Deaderick Street
Nashville, TN 37242-0600

Transfers of Real Property and Securities

The state of Tennessee has a statutory lien on all property of the decedent. If the administrator wishes to transfer real property or securities, an Inheritance Tax Consent to Transfer must be obtained. Applications may be submitted through the department's online services portal at <https://revenue.webapps.tn.gov/ConsentToTransfer/>.

Additional Information

Additional information and all forms are available on our web site at www.tn.gov/revenue. You may call (615) 741-4466 to have forms mailed to you. Questions may be submitted by using the Revenue Help feature on the department's website. Telephone assistance is also available by calling (615) 532-6438.

TENNESSEE INHERITANCE TAX INSTRUCTIONS FOR INH301

COMPLETION OF THE RETURN

The long form inheritance tax return (INH301) consists of four pages, plus Schedules A thru K, M & O.

Tennessee Estates

The following steps are recommended for returns for Tennessee resident decedents:

- (1) Complete Schedules A thru K, M and O. If a federal estate tax return (Form 706) was filed, you may substitute copies of the federal schedules A thru F, H through K and O, in lieu of the corresponding Tennessee schedules. Do not substitute federal Schedules G or M for the Tennessee schedules.
- (2) Place the total of each schedule on the applicable line of the Recapitulation Schedule on page 3 and calculate the taxable estate.
- (3) Enter the taxable estate amount calculated on page 3 on line 1, page 4. Enter the applicable statutory exemption on line 2. Calculate the net taxable estate. Compute the tax according to the rate schedule on page 4.
- (4) Enter the tax calculated on page 4 on line 1, page 1.
- (5) Complete remaining lines on page 1.
- (6) Complete General Information on page 2.

Non-Resident Estates

Tennessee Code Annotated Section 67-8-303 imposes a tax on a transfer from a non-resident of this state for (a) real property situated within this state, or (b) tangible personal property that is actually located within this state.

Deductions which are properly chargeable against the Tennessee property, such as mortgages, property taxes, or administration fees pertaining to the Tennessee property, will be allowed. Tennessee property jointly held or which passes directly to the spouse will qualify for the marital deduction.

The statutory exemption for a non-resident estate is apportioned in the ratio that the gross value of the Tennessee estate bears to the value of all property

which would have been included in the gross estate if the decedent had been a resident of Tennessee. See the non-resident exemption worksheet on Revenue's website under other inheritance tax forms.

The following steps are recommended for returns for non-resident decedents:

- (1) Compute the total gross value of the decedent's property in all jurisdictions.
- (2) Complete Schedules A thru K, M and O for Tennessee property only (i.e. real property in Tennessee or tangible personal property with a situs in Tennessee).
- (3) Place the total of each schedule on the applicable line of the Recapitulation Schedule on page 3 and calculate the total gross estate, the total deductions and the taxable estate.
- (4) Calculate the allowable non-resident exemption. See the Non-Resident Exemption Worksheet on the website under other inheritance tax forms.
- (5) Complete the inheritance tax computation on page 4.
- (6) Enter the tax calculated on page 4 on line 1, page 1.
- (7) Complete remaining lines on page 1.
- (6) Complete General Information on page 2.

General Instructions

When completed, the return must be permanently fastened together with all sheets in proper order. Any suitable type of paper fastener may be utilized for this purpose, Ordinary wire staples are recommended for a return of average size. All pages provided must be included.

If there is insufficient space for all entries under any of the printed schedules, additional sheets of the same size may be inserted in the proper order of the return. All information requested must be furnished. The questions on each schedule must be answered; if the decedent owned no property of a class specified for the schedule, the word "none" should be written across the schedule.

The items should be numbered on each schedule; a separate enumeration should be used for each schedule, and the total for each schedule should be shown at the bottom.

The filing of this form will not be considered complete as required by law unless all the information indicated here is provided.

Rounding Off to Whole Dollar Amounts

The monetary items on your return may be shown as whole dollar amounts. This means you eliminate any amount less than 50 cents and increase any amounts 50 cents through 99 cents to the next higher dollar.

Signature and Verification

A personal representative and/or executor must verify and sign the return. Such persons are responsible for the return filed and incur liability for taxes under Tenn. Code Ann. Section 67-8-423. If there is no executor or administrator appointed, qualified and acting in Tennessee, then the person in possession must verify and sign the return.

Supplemental Documents

If applicable to the estate, the following must be submitted with the return:

- Death Certificate
- Copy of the will
- Federal Estate Tax Return (Form 706)
- Disclaimers executed in relation to the estate
- Form 712 for insurance policies
- Trust and power of appointment instruments
- Deeds for real property on Schedules E or F
- Real Property appraisals
- Partnership agreements
- Computations for any credits claimed
- Copies of notes and mortgages
- Contracts for sale of assets
- Court orders related to the estate
- Extension of Time to File (Automatic one-year extension, if filed with return)

If these documents are not filed with the return, the processing of the return will be delayed. All such

supplemental information must be attached at the end of the completed form and not intermingled with individual schedules.

VALUATION

General

All of the decedent's property, real and personal, is included on the inheritance tax return at its full and true value at the date of death or at the alternate valuation date. (See Alternate Valuation discussed later). Real property used in farming or other closely held businesses may be eligible for a reduced valuation for estate tax purposes. (See Special Use Valuation discussed later).

Alternate Valuation

The executor may elect to use the alternate valuation method. The election must be made on the first page of the return within nine months of the date of death or within a timely requested extension of time granted for filing the return. Tenn. Code Ann. Section 67-8-412(b) permits a reduction of the tax liability if the total value of the estate has decreased. Once the election is made, it is irrevocable, and it applies to all of the assets in the estate. It cannot be used for only part of the assets.

If the alternate valuation method is elected, all property in the estate must be valued according to the following rules:

- (1) Property distributed, sold, exchanged, or otherwise disposed of within six months after the decedent's death, is valued as of the date of such distribution, sale, exchange, or other disposition;
- (2) Property not distributed, sold, exchanged, or otherwise disposed of is valued as of the date six months after decedent's death;
- (3) Any property, interest, or estate "affected by a mere lapse of time" is valued as of date of decedent's death. However this is adjusted for any difference in value not due to mere lapse of time as of the date six months after decedent's death, or as of the date of disposition, whichever first occurs.

Interest accrued to the date of decedent's death on bonds, notes and other interest-bearing obligations constitutes property of the gross estate on the date of his death. It should also be included in the alternate valuation. Rent accrued to the date of the decedent's death on realty or personal property constitutes property of the gross estate on the date of death, and it should also be included in the alternate valuation.

Outstanding dividends declared to stockholders of record on or before date of the decedent's death constitute property of the gross estate on the date of death. They should also be included in the alternate valuation. Ordinary dividends declared to stockholders of record after the date of the decedent's death do not constitute property of the gross estate at the date of death. They should be excluded from the alternate valuation. If dividends are declared to stockholders of record after the date of the decedent's death with the effect that the shares of stock at the subsequent valuation date do not reasonably represent the same property existing at the date of death, those dividends should be included in the alternate valuation.

In every case where the election is exercised, the return must include (1) an itemized description of all property included in the gross estate on the date of decedent's death, (2) an itemized disclosure of all distributions, sales, exchanges, and other dispositions of such property during the six month period after the decedent's death, together with the dates thereof, and (3) the value of each item of property determined as previously explained. The foregoing information must be shown under the appropriate columns of each schedule. Under the column headed "description" a brief statement for each item must be shown explaining the status or disposition governing the alternate valuation date, such as, "not disposed of within six months following death," "distributed," "sold," "bond paid on maturity," etc. Each item of principal and includible income must be entered separately. Under the heading "alternate value" the amount of the principal and the amount of includible income must be separately shown. In the case of any interest or estate, the value of which is affected by mere lapse of time, such as patents, leaseholds, estates for the life of another, or remainder interest, the value shown under the heading "alternate value" must be the adjusted value, i.e., the value as of the date of

death with an adjustment reflecting any difference in its value as of the later date not due to mere lapse of time. Under the heading, "value at date of death" the amount of the principal and the amount of includible income as of the date of death must be entered separately.

All information indicated on the inheritance tax return must be supplied. Statements as to distributions, sales, exchanges, and other dispositions of the property within the six month period after the decedent's death must be supported by evidence. If the court issues an order of distribution during that period, a copy of the order must be submitted as part of the evidence. The Commissioner of Revenue may require the submission of additional evidence as necessary.

Special Use Valuation

Tenn. Code Ann. Section 67-8-412(c) allows for a special use evaluation. You may elect this valuation by checking "yes" in the appropriate box on the face of the first return filed and completing and attaching Schedule A, Worksheet for Property Valued for Special Use Purpose and its required attachments. The worksheet and its additional statements must be filed with this form for this election to be valid. See "Instructions for Worksheet - Property Valued for Special Use Purpose", discussed later.

SPECIFIC INSTRUCTIONS BY PAGE OR SCHEDULE

PAGE 1 – INHERITANCE TAX RETURN

Identifying Information

Complete all information regarding the decedent, the estate, the personal representative, the preparer of the return and the attorney representing the estate.

Tennessee Estate Tax

Tennessee's estate tax was repealed in 2005, and it only applies to estates with decedents dying prior to that year. The Tennessee Estate Tax was imposed by Tenn. Code Ann. Title 67, Chapter 8, Part 2. The purpose of this tax was to supplement

the inheritance tax to assure the state secured a total tax at least equal to the "State Death Tax Credit" allowed by the federal government. If the "State Death Tax Credit" (SDTC) exceeded the inheritance tax, the difference was the Tennessee Estate Tax.

Computation of Tax

Enter the Inheritance Tax, as calculated on page 4, on line 1. If the estate is due any of the following credits, enter the total on line 2:

Credit for Previously Paid Inheritance Tax

If property within this decedent's estate was subject to and incurred an inheritance tax imposed by this state within the five years immediately preceding decedent's death, a credit is allowable for the portion of the actual amount of tax previously paid against the amount of tax owed on the present transfer.

The credit for previously paid tax shall be the lesser of the result of the following two calculations. It should be entered in the designated space under "Computation of Tax." A computation of the credit must be attached to the return.

CALCULATION 1

Total tax paid on previous estate exclusive of interest and penalty	X	Previous estate's value of property transferred <u>to present estate</u>
-		Taxable estate of previous estate

CALCULATION 2

Total tax due on present estate exclusive of interest and penalty	X	Previous estate's value of property transferred <u>to present estate</u>
-		taxable estate of present estate

Credit for Previously Paid Gift Tax

A credit is allowable against the inheritance tax payable on the decedent's entire estate, in an amount equal to the sum of all Tennessee gift taxes paid by the decedent or the decedent's estate for transfers which have been included in the estate.

This credit for previously paid gift taxes should be entered on line 2 under "Computation of Amount Due" on page 1.

Credit for Power of Appointment

A credit is allowable for certain property included in this return because of decedent possessing a general power of appointment over the property. See the instructions for Schedule H. Enter the credit amount in the designated space under "Computation of Tax." A computation of the credit must be attached to the return. This credit is not allowable for the transfer of any property for which credit is allowable for previously paid inheritance tax.

Interest

All taxes not paid within nine months after the death of the decedent will accrue interest at the statutory rate per annum, which interest cannot be waived or excused.

Penalty

In addition to interest, a penalty will accrue at the rate of five percent for each 30 days or portion thereof, to a maximum of 25 percent, for failure to either file the return or pay the tax.

PAGE 2 – GENERAL INFORMATION

Furnish all information requested in items 1 through 7.

Item 7

Name: Enter the name of each individual, trust or estate who received (or will receive) benefits from the estate directly as an heir, donee or devisee, or indirectly as beneficiary of an annuity or insurance policy, as shareholder of a corporation or partner of a partnership.

Amount: Enter the amount actually distributed (or to be distributed) to each beneficiary including transfers during decedent's life from Schedule G required to be included in the gross estate.

Disclaimers: If property passes to a person by result of a qualified disclaimer, a copy of the

disclaimer must be attached to the return. The copy of the disclaimer must clearly show the date(s) filed and recorded.

2005	\$950,000
2006 – 2012	\$1,000,000
2013	\$1,250,000
2014	\$2,000,000
2015	\$5,000,000
2016 – No Inheritance Tax is imposed for decedents dying after December 31, 2015.	

PAGE 3 - RECAPITULATION

Gross Estate

Lines 1 through 9: An entry must be made on each of lines 1 through 9. If the gross estate does not contain any assets of the type specified by a given line, enter "-0-" on that line. An entry of "-0-" on any of lines 1 through 9 is a statement by the executor, made under penalties of perjury, that the gross estate does not contain any includible assets covered by that line. Do not enter any amounts in the "Alternate Value" column unless you elected alternate valuation.

Deductions

Lines 11 through 14: Enter the total for each corresponding schedule. If there is no deduction, enter "-0-" on that line.

Federal Estate Tax Return Information (Form 706)

Answer question 1, indicating whether a federal estate tax return was filed. If the answer to question 1 was yes, provide the requested information regarding the federal return. If entries on the federal return regarding the value of the gross estate or the reported total allowable deductions differ from the corresponding entries on the Tennessee return, explain those differences on page 4 under "Supplemental Information."

PAGE 4 - INHERITANCE TAX COMPUTATION

Taxable Estate

Enter the figure calculated on Page 3, Line 16.

Statutory Exemption

Enter the applicable exemption, based on the date of death:

<u>Date of Death</u>	<u>Amount</u>
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The exemption is apportioned for non-resident estates; see page 4, Non-Resident Estates.

Complete lines 3 and 4 as instructed and enter the resulting tax due on page 1, line 1.

SCHEDULE A – REAL ESTATE

For each parcel of real estate, the description should include the street and number, map and parcel number and number of acres. If the parcel is improved, a short statement of the character of the improvements should be included. Real estate should be described and identified, so that upon investigation by a tax auditor, it may be readily located for inspection and valuation.

If any item of real estate is subject to a mortgage for which the decedent's estate is liable (i.e., if the indebtedness is enforceable against other property of the estate not subject to such mortgage, or if the decedent was personally liable), the full value of such property must be included in the value column. The amount of the mortgage also should be listed as a deduction on Schedule K. If, however, the decedent's estate is not liable for the amount of the mortgage, only the value of the equity of redemption (i.e., the value of the property less the indebtedness) should be included in the value column. Under these circumstances, no deduction for the indebtedness is allowable on Schedule K.

Real property which the decedent had contracted to purchase should be listed on this schedule. The full value of the property and not the equity must be included in the value column. The unpaid portion of the purchase price should be deducted on Schedule K of this return.

The basis for the values listed should be stated. If based upon appraisals, copies of such appraisals,

together with an explanation of the basis of the appraisals, should be attached to the return.

WORKSHEET – PROPERTY VALUED FOR SPECIAL USE PURPOSE

The personal representative of an estate may elect to value qualified real property included in decedent's estate devoted to farming or used in a closely-held business, on the basis of its actual use for these purposes. Once made, the election is irrevocable. The election must be made on the first inheritance tax return filed. The return does not have to be filed on time for the election to apply. The personal representative, and any other person, shall be subject to all conditions and limitations set out in I.R.C. Section 2032A, with the exception of the provisions relative to material participation. In addition, a lien shall arise in favor of the state comparable to that arising in favor of the United States under I.R.C. Section 6324B, and the lien shall be subject to the filing and priority provisions of Tenn. Code Ann. Section 67-1-1403.

If the election is made, both a full and true valuation at the time of decedent's death and the special use valuation of the subject property are required. The maximum reduction allowable is based on the amount allowed under IRC Section 2032A, which is subject to annual inflation indexing. The maximum differential for 2010 is \$1,000,000, for 2011 it is \$1,020,000, for 2012 it is \$1,040,000 and for 2013 it is \$1,070,000. To make the election, the personal representative must:

- (1) Check "yes" in the "Election of Special Use Valuation" box on the face of the return.
- (2) Sign the tax return on front page.
- (3) Prepare the "Worksheet Property Valued for Special Use" in full.
- (4) Attach the following documents to the tax return: (a) Both the full and true valuation and the special use valuation appraisals.
(b) Agreement to Special Use Valuation executed by all parties who have any interest in the property being valued based on its qualified use.

The worksheet and Tennessee Agreement for Special Use Valuation must set forth certain data. The data required is generally set out in IRS

regulation 20.2032A. The Tennessee Agreement form may be obtained by calling (615) 741-4466 or from the department's website at www.tn.gov/revenue.

If a personal representative makes a timely election and substantially complies with the federal regulations pertaining to the election, the worksheet or Agreement to Special Use Valuation may be subsequently modified if:

- (1) The worksheet or Agreement to Special Use Valuation, as filed, does not contain all required information, **or**
- (2) The Agreement to Special Use Valuation, as filed, does not include the signature of any person required to enter into the agreement.

The personal representative will have a reasonable period of time, but not more than 90 days, after notification of failure to provide such information or signatures. A personal representative has not substantially complied with the requirements if he or she only checks the applicable election box on the front page of the return. Both the worksheet and the agreement must be included with the return. Types of information that may be supplied after the initial filing are social security numbers and addresses of qualified heirs, written appraisals obtained prior to filing the return, legal description of property, and the designation of an agent.

SCHEDULE B – STOCKS AND BONDS

Description

Description of stocks must indicate number of shares, whether common or preferred, issue, price per share, and exact name of corporation. If the stock is not listed on an exchange, provide the address of the principal business office and the state in which the company is incorporated. If the stock is listed on an exchange, provide the name of the exchange. Description of bonds must include quantity and denomination, name of obligor, kind of bond, date of maturity, interest rate and interest-due dates. Provide the exchange upon which the bond is listed, or if it is unlisted, the principal business office and address of the company.

Valuation

In valuing stocks and bonds listed on a stock exchange, the mean between the high and low quoted sales prices on the valuation date is the full and true value per share or bond. If the security was listed on more than one exchange, the records of the exchange where the security is principally dealt should be used. The personal representative should observe care to consult accurate records to obtain values of the valuation date.

If there were no sales on the valuation date, but there were sales on dates within a reasonable period before and after the valuation date, the full and true value is determined using weighted averages. Determine a weighted average of the mean between the high and low prices on the nearest date before the valuation date and a weighted average of the mean between the high and low prices on the nearest date after the valuation. The average must be weighted inversely by the respective numbers of trading days between the sales dates and the valuation date.

For example, assume the nearest sales took place two trading days before the valuation date at a mean sales price of \$10 per share and three trading days after the valuation date at a mean sales price of \$15 per share. The full and true value is \$12 per share determined as follows:

$$\frac{(3 \times \$10) + (2 \times \$15)}{5} = \$12$$

If no sales occurred within a reasonable period before and after the valuation date, the full and true value may be determined by taking the mean between bona fide bid and ask prices for the valuation date. If bid and ask prices are not available for the valuation date but are available for dates within a reasonable period before and after the valuation date, the valuation method described above may be used.

If no actual sales prices or bona fide bid and ask prices are available for a date within a reasonable period before the valuation date, but are available on a date within a reasonable period after the valuation date, or vice versa, then the mean between the highest and lowest available sale

prices or bid and ask prices for that date may be taken as the full and true value.

In valuing stocks and bonds not listed on an exchange, but which are dealt in through brokers or which have a market, the full and true value is the mean between the high and low sales prices on the valuation date. If there were no sales on the valuation date, the full and true value is determined in the same manner as previously described if sales occurred within a reasonable time before and/or after the valuation date. If quotations are obtained from brokers or evidence as to the sale of securities is obtained from the issuing companies, copies of the letters furnishing such quotations or evidence of sale must be attached to the return.

Closely-Held Stocks

Attach the following documents to the return: (1) balance sheets and income statements for five accounting years preceding the date of death, (2) statement of the personal representative as to all factors considered in determining the value, and (3) any appraisals by professional appraisers in determining value.

Accrued Dividends

Dividends payable to the decedent or his estate due to the fact that on or before the date of decedent's death he was a stockholder of record must be included in the gross estate as separate items. Dividends declared on shares of stock prior to the death of the decedent, but payable to the stockholders of record on a date after death, are not included in the gross estate. Where the stock is being traded on an exchange, and it is selling ex-dividend on the date of decedent's death, the amount of the dividend should not be included in the gross estate as a separate item. It should be added to the ex-dividend quotation in determining the fair market value of the stock as of the date of decedent's death. If decedent died on a weekend, and the stock began selling ex-dividend on the following trading day, determine the weighted average by adding the dividend to the mean of the ex-dividend quotation.

Common Trust Funds

For common trust funds, the property to be valued is the participating interest in the fund. A bank administering a common trust fund must value the assets of the fund at least quarterly. If the valuation date for the estate is not the same as the bank evaluation date, the full and true value must be determined using the same method as is used for stocks and bonds. If it is necessary to use the weighted average method, the average must be weighted inversely by the respective number of days between the bank valuation dates and the valuation date for the estate.

Mutual Fund Shares

The full and true value of a share in an open-end investment company (commonly known as a mutual fund) is the redemption (or bid) price on the valuation date. If there is no quoted bid price for the valuation date, the full and true value per share is the last public redemption price quoted for the first day before the valuation date.

SCHEDULE C – CASH, NOTES MORTGAGES

The classes of property under this schedule should be listed separately in the order given.

Cash in Bank

State the name of bank and address, amount in each bank, account number, nature of account, and show whether the account is for checking, savings, time deposit, etc. If statements are obtained from banks, they should be retained for inspection by the Department of Revenue.

Cash in Possession

List separately from bank deposits.

Notes and Mortgages

State (1) face value and unpaid balance, (2) date of mortgage, (3) date of maturity, (4) name of maker, (5) property mortgaged, and (6) interest dates and rate of interest. For example: Bond and mortgage for \$9,000, unpaid balance \$6,000, dated January 1, 1999. John Doe to Richard Roe: premises 22

Lake Street, Nashville, Tennessee, due January 1, 2004, payable at 6 percent interest per annum on January 1 and July 1.

The full and true value of a note, secured or unsecured is presumed to be the unpaid principal plus accrued interest to the date of death unless the personal representative establishes a lower value. If a lower value is asserted by the personal representative, satisfactory evidence must be submitted to substantiate the value. The accrued interest must be separately stated on the return.

Attach copies of all notes and mortgages to the return.

Unpaid Interest

Interest accrued on savings certificates, accounts, notes and mortgages is includible in the gross estate.

Contract by Decedent to Sell Land

Show name of buyer, date of contract, description of property, sale price, initial payments, amounts of installment payments, unpaid balance of principal, interest rate, and accrued interest. Attach a copy of the contract to the return.

SCHEDULE D – INSURANCE ON DECEDENT'S LIFE

Insurance

All insurance on decedent's life receivable by or for the benefit of the estate and insurance on decedent's life receivable by other beneficiaries must be included in the gross estate. The term "insurance" refers to life insurance of every description, including death benefits paid by fraternal beneficial societies operating under the lodge system.

If proceeds of life insurance are not includible in the gross estate under the provisions discussed in this section, they may be eligible under another provision.

Insurance in Favor of the Estate

The full amount of the proceeds of insurance on the life of decedent receivable by the personal representative, or otherwise payable to or for the benefit of the estate, should be included in the gross estate. Insurance in favor of the estate includes insurance effected to provide funds to meet the estate or inheritance tax, and any other taxes, debts, or charges which are enforceable against the estate. The manner in which the policy is drawn is immaterial so long as there is an obligation, legally binding upon the beneficiary, to use the proceeds in payment of such taxes, debts, or charges. The full amount is includible even though the premiums or other consideration may have been paid by a person other than decedent.

Insurance Receivable by Beneficiaries Other Than the Estate and Insurance with Respect to which the Decedent Possessed Incidents of Ownership at Time of Death

The proceeds of all insurance on the life of decedent not receivable by or for the benefit of the estate must be included in the gross estate if the decedent possessed at death any of the incidents of ownership, exercisable either alone or in conjunction with any person. Incidents of ownership in a policy include, for example, the right of the insured or his estate to its economic benefits, the power to change the beneficiary, to surrender or cancel the policy, to assign it, to revoke an assignment, to pledge it for a loan, or to obtain from the insured a loan against the surrender value of the policy, etc. A reversionary interest (for example, the proceeds become payable to the insured's estate or payable as he might direct, should the beneficiary predecease him) constitutes an incident of ownership.

Completion of Schedule

Under "Description" show the name of the insurance company, number of policy, name of beneficiary, face amount of the policy, principal amount of any indebtedness to the insurance company deductible in determining net proceeds, the interest on the foregoing indebtedness accrued to the date of death, and the amounts of accumulated dividends (including interest payable thereon), post-mortem dividends, and returned

premiums. The value to be entered in the valuation column of Schedule D is the net value.

In addition to the insurance shown on the return as part of the gross estate, complete information must be submitted as to any insurance on the decedent's life which the executor believes is not includible in the gross estate.

Attach a copy of Form 712 for each insurance policy.

SCHEDULE E – JOINTLY OWNED PROPERTY

Spouses

One-half of the value of qualified joint interest property is includible in the gross estate without regard to contribution furnished by either spouse. The term "qualified joint interest" means any interest in property held by the decedent and spouse as:

- (1) tenants by the entirety, or
- (2) joint tenants with right of survivorship, but only if the spouses are the only joint tenants.

Each asset is separately listed in the description column of Part I of the schedule, and the full value is placed in the appropriate valuation column. The total value of all qualified joint interest property is listed at line 1(a). The total value on line 1(a) is then reduced by 50% at line 1(b).

In All Other Cases

The gross estate includes the value of property held jointly at the time of death by the decedent and any other person or entity. Generally, the full value of the property must be included in Part II, Schedule E.

However, if the property that was held jointly was originally acquired for an adequate and full consideration in money or money's worth, then the value of the property that is proportionate to the part of the consideration that the surviving joint tenant or tenants originally paid towards the purchase of the property may be deducted.

If the decedent and another person or persons, as joint tenants, received the property as a gift,

bequest, devise, or inheritance, and their interests are not otherwise specific or fixed by law, then only the fractional part of the value of the property that is obtained by dividing the full value of the property by the number of joint tenants should be included.

If the personal representative contends less than the value of the entire property is includible in the gross estate for purposes of the tax, the burden is upon him to show his right to include such lesser value, and in such case he must submit proof of the extent, origin, and nature of the decedent's interest and the interest of decedent's co-tenant or co-tenants.

For each item of property, enter the appropriate letter, A, B, or C, to indicate the name, relationship to the decedent and address of the surviving co-tenant.

SCHEDULE F – OTHER MISCELLANEOUS PROPERTY

Under this schedule, list all items of the gross estate not reportable under any other schedule such as: debts due the decedent, interest in business, insurance on the life of another, claims (including the value of decedent's interest in a claim for refund of income taxes or the amount of the refund actually received), rights, royalties, pensions, leaseholds, judgments, reversionary or remainder interest, shares in trust funds, household goods and personal effects, farm products and growing crops, livestock, farm machinery, automobiles, etc.

When an interest in a partnership or unincorporated business is reportable, submit a copy of the partnership agreement and a statement of assets and liabilities as of the valuation date. Financial statements for five years preceding the date of death must be submitted. Goodwill must be included. In general, the same information should be furnished and the same methods followed as in valuing closely held corporations.

In case of an interest in a trust fund, a copy of the trust instrument must be submitted along with a listing of all assets forming the trust principal.

SCHEDULE G – TRANSFERS DURING DECEDENT'S LIFE

The following transfers made by the decedent or for which a split gift agreement was made during his/her life, by trust or otherwise, are subject to the tax, and must be included in the gross estate under this schedule:

- (1) All transfers made within three years of decedent's death, excepting those which were:
 - (a) Transfers in the form of bona fide sales for adequate and full consideration in money or money's worth;
 - (b) Transfers which under Tenn. Code Ann. Section 67-8-104 were considered exempt from the gift tax.

In addition, any Tennessee gift tax paid by the decedent or his estate on any transfers made by the decedent within three years of the decedent's death must be included in the gross estate.

- (2) A transfer made by the decedent taking effect at or after death where possession or enjoyment of the property was obtained only by surviving the decedent.
- (3) Transfers where the decedent retained possession or enjoyment of, or the right to the income from, the transferred property.
- (4) Transfers (not otherwise included) whereby decedent retained the right to designate the person or persons who shall possess or enjoy the transferred property, or the income there from.
- (5) Transfers subject to any charge, estate or interest, determinable by the death of the decedent or at any period ascertainable only by reference to the death of decedent.
- (6) Transfers whereby the enjoyment of the transferred property was subject at the decedent's death to any change through the exercise of a power to alter, amend, revoke, or terminate.

For each transfer, by trust or otherwise, made by a written instrument, a copy of the instrument must be filed with the return. The name of the transferee, date and form of transfer, and a complete description of the property should be set forth in this schedule. Each transfer must be valued at the

date of gift, taking into account the gift tax exemption(s) allowed by Tenn. Code Ann. Section 67-8-104. An exception exists with respect to insurance on decedent's life, which must be included at the value at the date of death without any reduction for gift tax exemption(s).

The repeal of Tennessee's gift tax in 2012 does not affect the inclusion of transfers made within three years of the decedent's death in the calculation of the Tennessee inheritance tax. In accordance with Tenn. Code Ann. Section 67-8-304(3), the includible value will continue to be adjusted by the exemptions provided in Tenn. Code Ann. Section 67-8-104.

SCHEDULE H – POWERS OF APPOINTMENT

Generally

The value of all property over which the decedent possessed a general power of appointment at the date of death is includible in the gross estate to the extent such property is taxable for federal estate tax purposes under I.R.C. Section 2041. A power of appointment is a power given to a person permitting that person to make a disposition of the property. Generally, a power of appointment is coupled with the right to receive a part or all the income from the property thereby making the right equivalent to total ownership.

Powers of appointment are classified as general and special. A general power is one where there is no limitation on the donee as to the persons in whose favor the power may be exercised. A special power is one in which the donee can appoint the property only to a person or persons of a limited or specified group.

General Power of Appointment

When a decedent possessed a general power of appointment, the property is includible in the decedent's estate on Schedule H of the return. The property must be described and valued as it would if listed on the return under a schedule for the specific property type. For example, stocks and bonds must be described and valued on Schedule H under the same procedure prescribed for

Schedule B if the assets had been owned by decedent directly. Copies of all instruments conferring on decedent any power of appointment must be furnished with the return. Copies of any instrument(s) reflecting the exercise of release of such power(s) must be furnished with the return.

There are two exceptions to the rule for taxation of general powers of appointment as follows:

- (1) A power to consume or invade property for the benefit of the decedent, limited by an ascertainable standard relating to health, education, support, or maintenance is not a general power of appointment.
- (2) If the power was created prior to October 22, 1942, only the exercise of the power will result in taxability.

Limited Power of Appointment

Property under a special limited power of appointment is not taxable. Powers limited by an ascertainable standard are not taxable (see item 1 immediately above). The holder's duty regarding use of the power must be reasonably measurable in terms of his or her needs for health, education or support or any combination of them. The words "support" and "maintenance" are considered synonymous.

A power to use property for the comfort, welfare or happiness of the holder (donee) of the power does not meet the required standard. Such standards are not reasonably measurable; thus, the power is taxable.

Credit for Certain General Powers of Appointment

A credit is allowed against the inheritance tax liability imposed for the transfer of property by an unexercised general power of appointment which was irrevocable prior to November 1, 1978, if the property transferred by such power was previously included in the taxable estate of a decedent spouse. The credit should be calculated, using values reported on the return of the prior estate, by taking the ratio of (a) the value of the property transferred by such power, over (b) the value of property allocated to Class A beneficiaries by the return of the prior estate, and multiplying it by (c)

the tax paid by the prior estate on transfers to Class A beneficiaries.

$$\frac{a}{b} \times c$$

However, the credit is not allowed for the transfer of property, if the estate takes a credit for tax previously paid on the property.

SCHEDULE I – ANNUITIES

The gross estate includes the value of an annuity or other payment under any form of contract or agreement receivable by any beneficiary by reason of surviving decedent. Only annuities that continue to provide payments to surviving beneficiaries after decedent dies are included in the gross estate. If the annuity payments cease at decedent's death, nothing is includible in decedent's gross estate as nothing is receivable by a surviving beneficiary.

The term "annuity or other payment" refers to one or more payments extending over any period of time. Payments need not be made in equal amounts or at regular intervals. "Contracts or agreements" include any arrangement, understanding, or plan due to decedent's employment including Individual Retirement Accounts, Keogh plans, H.R. 10 plans and military retirement plans.

Generally, annuities or other payments are taxable for inheritance tax to the same extent they are taxable for federal estate tax purposes under I.R.C. Section 2039. Annuities or other payments paid to an estate or to the executor or administrator of an estate for distribution to the heirs are taxable at full value.

SCHEDULE J – MISCELLANEOUS DEDUCTIONS

Taxes

The deduction for taxes is limited to taxes owed by the decedent or the decedent's estate at date of death. Federal taxes owed by the decedent or the decedent's estate prior to death on income received by the decedent prior to death are

deductible, but taxes on income received after death are not deductible.

Unpaid real estate taxes on real estate owned by the decedent and located in Tennessee which were a lien at the date of death are deductible.

Death duties payable to other jurisdictions on intangible personal property includible in the Tennessee gross estate are deductible. However, no deduction is allowable for the payment of federal estate taxes owed or paid upon the estate's federal tax liability.

Funeral Expenses

Actual funeral expenses, and all other amounts reasonably and actually expended, or contracted to be expended, for the purpose of a memorial, or monument to the decedent, if he or she is a resident of Tennessee, are deductible.

In itemizing allowable funeral expenses, reimbursements such as benefits payable by the Social Security Administration and Veteran's Administration must be taken into consideration to reflect the net amount of funeral expenses actually expended.

Administrative Expenses

The executor or administrator, when filing the return, may deduct any fee paid or expected to be paid to him. No deduction may be taken if no fee is collected. The deduction will be allowed on the final audit of the return provided the amount is in accordance with the usually accepted practice in estates of similar size and character. Factors to be considered in determining reasonable compensation are: the complexity of the property of the estate; the amount of time the fiduciary spent performing the fiduciary duties; the expertise of the fiduciary; whether the fiduciary had to take time away from the fiduciaries normal occupation; and whether the services performed for the estate are those the fiduciary should normally have provided had there been no need for a fiduciary. Records of activities performed and time expended should be maintained and made available upon request.

A bequest or devise to the executor in lieu of commissions is not deductible. If, however, the

decedent by his will fixed the compensation payable to the executor for services rendered in administration of the estate, deductions may be taken to the extent the amount so fixed does not exceed the fee usually accepted in estates of similar size and character. If the commissions claimed have not been paid at the time of final audit of the return, the amount deducted must be supported by an affidavit or statement of the executor under penalties of perjury stating such amount has been agreed upon and will be paid.

Except to the extent that a trustee is in fact performing services with respect to property subject to claims, which would normally be performed by an executor, amounts paid as trustees' commissions do not constitute expenses of administration.

Attorney's Fees

A deduction will be allowed for attorney's fees that have actually been paid or which at the time of filing may reasonably be expected to be paid. If on the final audit of a return, the fees claimed have not been paid, the deduction will be allowed if the Department of Revenue is reasonably satisfied that the amount claimed will be paid, and it does not exceed a reasonable compensation for the services rendered, taking into account the size and character of the estate and the local law and practice. If the deduction is disallowed in whole or in part on final audit, the disallowance will be subject to modification as the facts may later require.

When an attorney serves as personal representative of an estate, he may either employ other counsel or furnish his own professional services. Where he furnished his own services and saves the estate counsel fees by diligent and official legal services, he should be allowed a greater compensation than ordinarily granted to an executor employing other counsel, but he can be paid only in his capacity as personal representative and not in both capacities.

Attorneys' fees incurred by beneficiaries incident to litigation as to their respective interests are not deductible if the litigation is not essential to the proper settlement of the estate.

Miscellaneous Administration Expenses

Miscellaneous administration expenses necessarily incurred in preserving and distributing the estate are deductible. These expenses include appraiser's and accountant's fees and court costs. The cost of storing and maintaining assets of the estate will be allowed, if it is impossible to effect immediate distribution to the beneficiaries. Such expenses will be allowed only for a reasonable period.

The expenses of selling assets are deductible only if the sale is directed by the will, necessary to pay the decedent's debts, the expenses of administration, or taxes, or to preserve the estate or carry out distribution.

Interest on federal estate tax actually paid and allowed by virtue of IRC Sections 6161 or 6166 for a period not to exceed 21 months after the date of the decedent's death is deductible as an expense of administration.

SCHEDULE K – DEBTS AND MORTGAGES

Debts

Itemize only valid debts of decedent owed at the time of death. If the amount of debt is disputed or the subject of litigation, only such amount may be deducted as the estate concedes to be a valid claim. If the claim is contested, that fact must be stated.

If the claim against the estate is founded upon a promise or agreement, the deduction is limited to the extent the liability was contracted bona fide and for an adequate and full consideration in money or money's worth. No deduction shall be allowed for any claim arising from a contract made by the decedent and payable by its terms at or after death unless the claim is supported, in whole or in part, by valuable consideration. Only the amount of the claim that is equal to the consideration received by the decedent is allowed as a deduction. An enforceable claim founded upon a promise or agreement of the decedent to make a contribution or gift (such as a pledge or a subscription) to or for the use of a charitable, public, religious, etc.,

organization is deductible to the extent such a deduction would be allowable if it had been a bequest.

Enter on the schedule notes unsecured by mortgage or other liens and give full details, including name of payee, face value and unpaid balance, date and term of note, interest rate, and date to which interest was paid prior to death. State the exact nature of the claim as well as the name of the creditor. If the claim is for services rendered over a period of time, state the period covered by the claim.

If the amount of the claim is the unpaid balance due on a contract for the purchase of any property included in the gross estate, indicate the schedule and item number where such property is returned. If the claim represents a joint and several liabilities, the facts must be fully stated and the financial responsibility of the other party or parties explained.

All vouchers or original records should be retained for inspection.

Mortgages and Liens

Itemize only obligations secured by mortgages or other liens upon property included in the gross estate at the full value or the value of the property undiminished by the amount of the mortgage or lien. If decedent's estate is liable for the indebtedness secured by such mortgage or lien (i.e., if the indebtedness is enforceable against other property of the estate not subject to such mortgage or lien, or if the decedent was personally liable therefore), the full value of property subject to the mortgage or lien must be included in the gross estate under the appropriate schedule. However, if decedent's estate is not liable, only the value of the equity of redemption (or value of the property less the amount of such indebtedness) should be included in the gross estate. Where the decedent's estate is not liable for a debt secured by a mortgage or lien and the amount of the debt is greater than the value of the property subject to such mortgage or lien, do not claim a deduction for the full amount of the debt by entering the full value of the property as a part of the gross estate and then deducting the full amount of the debt under this schedule. Notes and other obligations secured

by the deposit of collateral, such as stocks, bonds, etc., also should be listed.

Identify, by indicating under the column headed "description," the particular schedule and item number where the property subject to the mortgage or lien is returned under the gross estate.

Show the name and address of the mortgagee, payee, and the date and term of the mortgage, note, or other agreement under which the indebtedness is established. Show the face amount, the unpaid balance, the rate of interest, and date to which the interest was paid prior to the decedent's death.

Mortgages upon property included in the gross estate are deductible only to the extent the liability was contracted in good faith and for an adequate and full consideration in money or money's worth.

SCHEDULE M – BEQUESTS TO SURVIVING SPOUSE (MARITAL DEDUCTION)

General

The marital deduction is a deduction from the gross estate of property included in the gross estate that passes, or has passed, to the surviving spouse. The deduction may be taken only on property included in the gross estate for Tennessee inheritance tax purposes.

In order for property passing to a surviving spouse to qualify for the marital deduction, the spouse must survive the decedent and be married to the decedent on date of death.

Property Interests Listed on Schedule M

List on Schedule M only those properties the surviving spouse takes:

- (1) As the decedent's legatee, devisee, heir or donee;
- (2) As the decedent's surviving tenant by the entirety or joint tenant with right of survivorship;
- (3) As an appointee under decedent's exercise of a power or as a taker in default at decedent's non-exercise of a power;

- (4) As a beneficiary of insurance on decedent's life;
- (5) As the dissenting surviving spouse taking a statutory interest;
- (6) As a transferee of a transfer made by the decedent at any time;
- (7) Pursuant to a qualified terminable interest property election (Discussed later at "Qualified Terminable Interest Property").

- (1) Another interest in the same property passed from the decedent to some other person for less than adequate and full consideration in money or money's worth; and
- (2) By reason of its passing, the other person or that person's heirs may enjoy part of the property after the termination of the surviving spouse's interest.

Property Interests Not Listed on Schedule M

Do not list on Schedule M:

- (1) Any property not passing from the decedent to the surviving spouse;
- (2) Property not included in the gross estate for Tennessee inheritance tax purposes;
- (3) The full value of a property interest for which a deduction was claimed on Schedules J and K. The value of the property interest should be reduced by the deductions claimed with respect to it;
- (4) The full value of a property interest that passes to the surviving spouse subject to a mortgage or other encumbrance or an obligation of the surviving spouse. Include on Schedule M only the net value of the interest after reducing it by the amount of the mortgage or other debt;
- (5) Non-deductible terminable interests (described below)
- (6) Any property interest disclaimed by the surviving spouse.

Non-Deductible Terminable Interest

Certain interests in property passing from a decedent to a surviving spouse are referred to as terminable interests. These are interests that will terminate or fail after the passage of time, or on the occurrence or non-occurrence of some contingency. Examples are: life estates, annuities, estate for terms of years and patents. The ownership of a bond, note or other contractual obligation, which when discharged would not have the effect of an annuity for life or for a term, is not considered to be a terminable interest.

A terminable interest is non-deductible, and it should not be entered on Schedule M when:

This rule applies even though the interest passing from the decedent to a person other than the surviving spouse is not included in the gross estate, and regardless of when the interest passes. The rule also applies regardless of whether the surviving spouse's interest and the other person's interest pass from the decedent at the same time.

For example, a decedent devised real property to his wife for life, with remainder to his children. The life interest that passed to the wife does not qualify for the marital deduction since it will terminate at her death and the children will thereafter possess or enjoy the property.

However, if decedent purchased a joint and survivor annuity for himself and his wife who survived him, the value of the survivor's annuity, to the extent it is included in the gross estate, qualifies for the marital deduction. This is because even though the interest will terminate on the wife's death, no one else will possess or enjoy any part of the property.

The marital deduction is not allowed for an interest which the decedent directed the executor or a trustee to convert into a terminable interest for the surviving spouse. The marital deduction is not allowed for such an interest even if there was no interest in the property passing to another person, and even if the terminable interest would otherwise have been deductible under the life estate and life insurance and annuity payments with powers of appointment exceptions described below.

A property interest passing from the decedent to the surviving spouse, which may be satisfied out of a group of assets that includes a non-deductible interest, will not qualify for the marital deduction to the extent of the value of the non-deductible interest. In determining the allowable marital deduction, the non-deductible interest must be subtracted from the otherwise allowable marital

deduction. Example of property interests that may be paid or otherwise satisfied out of any of a group of assets are a bequest of the residue of the decedent's estate, or of a share of the residue, and a cash legacy payable out of the general estate.

Life Estate with Power of Appointment in the Surviving Spouse

A property interest, whether or not in trust, will be treated as passing to the surviving spouse, and it will not be treated as a non-deductible terminable interest if:

- (1) The surviving spouse is entitled for life to all of the income from the entire interest;
- (2) The income is payable annually or at more frequent intervals;
- (3) The surviving spouse has the power, exercisable in favor of the surviving spouse or the estate of the surviving spouse, to appoint the entire interest;
- (4) The power is exercisable by the surviving spouse alone and (whether exercisable by will or during life) in all events; and;
- (5) No part of the entire interest is subject to a power in any other person to appoint any part to any person other than the surviving spouse.

If these five conditions are satisfied only for a specific portion of the entire interest, see the I.R.C. Section 2056(b) regulations for the determination of the part that qualifies for the marital deduction.

Life Insurance, Endowment, or Annuity Payments, with Power of Appointment in Surviving Spouse

A property interest consisting of the entire proceeds under a life insurance, endowment or annuity contract is treated as passing from the decedent to the surviving spouse, and it will not be treated as a non-deductible terminable interest if:

- (1) The surviving spouse is entitled to receive the proceeds in installments, or he or she is entitled to interest thereon, with all amounts payable during the life of the spouse, payable only to the surviving spouse;
- (2) The installment or interest payments are payable annually, or more frequently,

beginning not later than 13 months after the decedent's death;

- (3) The surviving spouse has the power, exercisable, in favor of the surviving spouse or of the estate of the surviving spouse, to appoint all amounts payable under the contract;
- (4) The power is exercisable by the surviving spouse alone and (whether exercisable by will or during life) in all events; and
- (5) No part of the amount payable under the contract is subject to a power in any other person to appoint any part to any person other than the surviving spouse.

If these five conditions are satisfied only for a specific portion of the proceeds, see the I. R.C. Section 2056(b) regulations for the determination of the part that qualifies for the marital deduction.

Charitable Remainder Trusts

An interest in a charitable remainder trust will not be treated as a non-deductible terminable interest if:

- (1) The interest in the trust passes from the decedent to the surviving spouse; and
- (2) The surviving spouse is the only beneficiary of the trust other than charitable organizations described in I.R.C. Section 170(c).

A "charitable remainder trust" is a charitable remainder annuity trust or a charitable remainder unitrust. (See I.R.C. Section 664 for descriptions of these trusts).

Qualified Terminable Interest Property (QTIP)

The marital deduction is not allowed for a life estate passing to a surviving spouse because the spouse's interest terminates when the spouse dies. However, the executor may elect the marital deduction for all or part of this interest if it meets the requirements for qualified terminable interest property. The effect of the election is the property interest will be treated as passing to the surviving spouse, and it will not be treated as a non-deductible terminable interest. All of the other marital deduction requirements must still be satisfied before the QTIP election is allowable.

Make the QTIP election by listing the qualified terminable interest property on Schedule M under QTIP property and deducting its value. You are presumed to have made the QTIP election if you list the property and deduct its value on Schedule M. If you make this election, the surviving spouse's gross estate will include the value of the "qualified terminable interest property." The election is irrevocable.

The term "qualified terminable interest property" means property passing from decedent in which the surviving spouse has qualifying income interest for life. The surviving spouse has a qualifying interest income for life if the spouse is entitled to all the income from the property payable annually, or more frequently, and no person has the power to appoint any part of the property to anyone other than the surviving spouse.

An annuity is treated as an income interest which may be a qualifying income interest for life (regardless of whether the property from which the annuity is payable can be separately identified). Income interests granted for a term of years, or life estates subject to termination if certain events occur (for example, if the surviving spouse remarries), do not qualify for the QTIP election. If any person, including the surviving spouse, can appoint any part of the property subject to the qualifying income interest to someone other than the surviving spouse, the interest does not qualify for the QTIP election. However, a power exercisable only at or after the death of the spouse does not disqualify the interests for purposes of the QTIP election.

Reduction in the Marital Deduction

The total of the values listed on Schedule M must be reduced by the amount of the federal estate taxes and state or other death taxes which are payable out of, or chargeable against, the property interest listed. Such taxes must be entered on the lines designated 8 and 9 at the bottom of Schedule M. Both items must be supported by an identification and computation of the amounts. The computation must be attached to the return.

If Schedule M includes a bequest of the residue, or a part of the residue of the decedent's estate, attach a copy of the computation showing how the

value of the residue was determined. Include a statement showing:

- (1) The value of all property which is included in the decedent's gross estate but does not pass under the will, such as transfers, jointly owned property which passed to the survivor on the decedent's death, and the insurance payable to specific beneficiaries;
- (2) The value of all specific and general legacies or devices, with reference to the applicable clause or paragraph of the decedent's will or codicil. (If legacies are made to each member of a class; for example \$1,000 to each of decedent's employees, only the number in each class and the total value of property received by them need be furnished.)
- (3) The date of birth of all persons, the length of whose lives may affect the value of the residuary interest passing to the surviving spouse;
- (4) Any other important information such as that relating to any claim to any part of the estate not arising under the will.

Attachments Related to the Marital Deduction

If, when you file the return, the court of probate jurisdiction has entered any decree interpreting the will or any of its provisions affecting any of the interests listed on Schedule M or has entered any order of distribution, attach a copy of the decree or order. Also attach a schedule of all the assets compromising the marital trust. In addition, other evidence to support the marital deduction claimed may be requested.

SCHEDULE O – BEQUESTS: PUBLIC, CHARITABLE, RELIGIOUS AND EDUCATIONAL

Deductions authorized for public, charitable, religious, educational and similar gifts and bequests, should be entered on this schedule. If the transfer was made by any written instrument, other than a will, a copy should be submitted with the return. If claim is made under this schedule for deduction of the value of the residue or a portion of the residue passing to charity under the decedent's will, please submit a computation showing how the value was determined.

Where a part or all of the residuary estate is bequeathed to a qualifying charity and said residuary estate is charged with the payment of all death taxes, then the value of this charitable bequest is diminished by the amount of inheritance taxes and federal estate tax payable. Attach a copy of all computations.