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Understanding Form 8971

Michael D. Roy

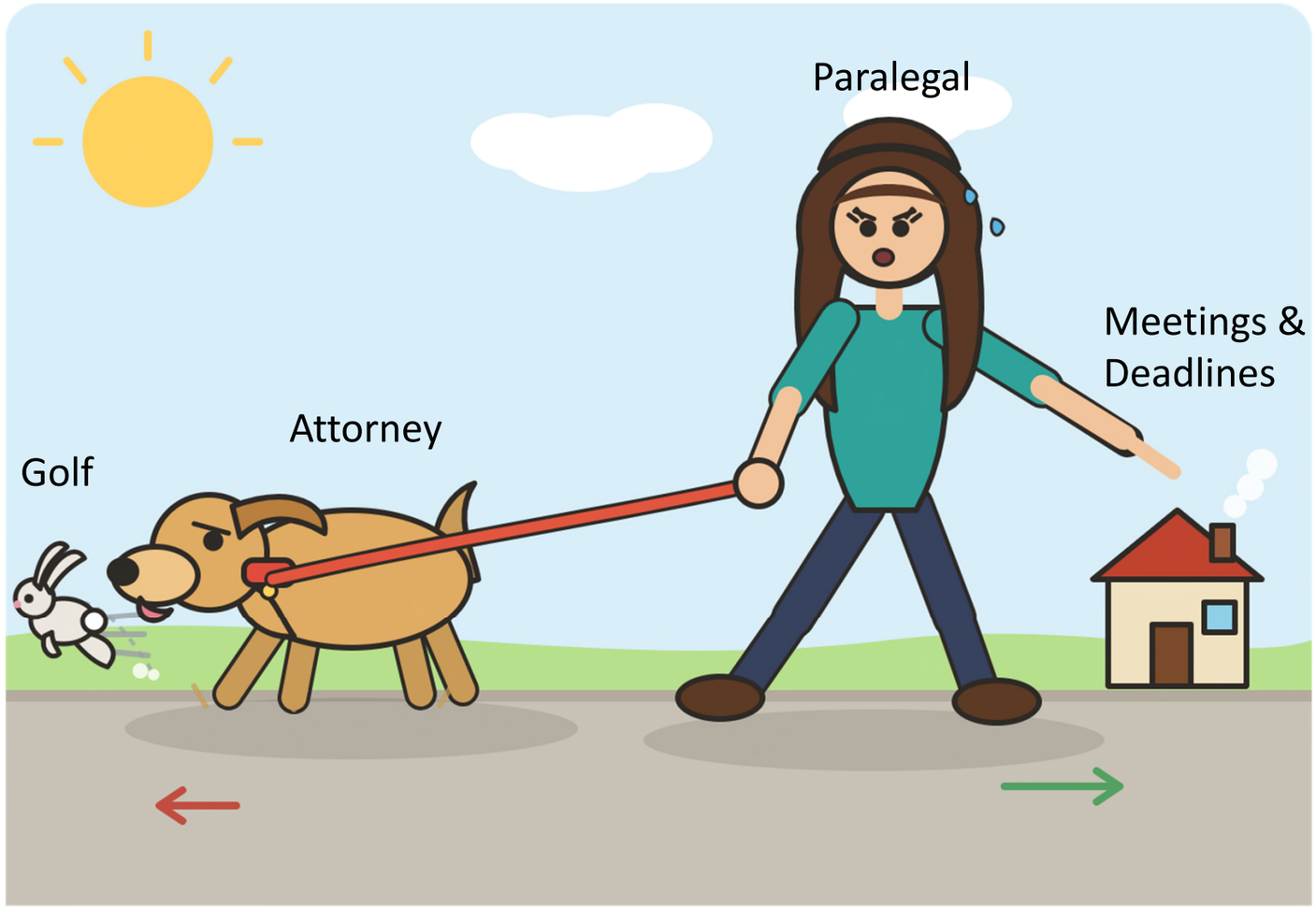
About the Presenter

Michael D. Roy, J.D., LL.M., is a graduate of the University of Connecticut (B.A.), Quinnipiac University School of Law (J.D.) and the University of Miami School of Law (LL.M.). He has been practicing in the field of estate and trust planning and administration for more than eleven years. Before that, he served as a legal research and courtroom clerk for the Superior Court of the State of Connecticut. Michael enjoys spending time with his wife, Kara, and two children, Michael, Jr. and Natalie.



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We Know Who Is Really In Charge



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What is Form 8971?

An IRS form used to report to:

- The IRS; and
- Each beneficiary[1]

The value of property acquired from a decedent.[2]

[1] . . . of an estate that is required to file a federal estate tax return . . .

[2] . . . that was included in the decedent's gross estate.

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Why do we file Form 8971?

- It is required by IRC § 6035.
- It is how the IRS enforces IRC § 1014(f).[1]

[1] IRC § 1014(f) says that if an asset included in a decedent's estate increased liability for the federal estate tax, a beneficiary's basis in that asset cannot exceed its federal estate tax value.

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Who files Form 8971?

- An executor required to file Form 706 or Form 706-NA
  - Personal Representative, if there is one; otherwise
  - Every person in actual or constructive possession of any property of the decedent (but only regarding the property reported or required to be reported on Form 706 or Form 706-NA by that person).

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When is Form 8971 due?

- The Executor must file Form 8971 with the IRS and furnish **each required Schedule A** to its respective beneficiary by:
  - 30 days after Form 706 or Form 706-NA is required to be filed (including extensions); or
  - 30 days after Form 706 or Form 706-NA is filed with the IRS

  Whichever is sooner.
- Other due dates apply to **required supplemental filings** (discussed later).

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What is the difference between Form 8971 and Schedule A?

- **Form 8971 identifies the beneficiaries** who are receiving a Schedule A and the total value, in the aggregate, received by each such beneficiary.
- **Schedule A reports to a beneficiary the specific property** shown on the decedent's estate tax return that the beneficiary has acquired (or is expected to acquire) **and the value of such property**.

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When is Schedule A required?

- A Schedule A is required when:
  - The beneficiary **acquired property** from the decedent **on or before the due date of the estate tax return** (or the date on which the estate tax return is filed with the IRS, if earlier); and
  - At least some of the property acquired by the beneficiary is not **“excepted property”** (discussed later).
- The executor is not required to identify any beneficiary on Form 8971 if no Schedules A are furnished or required to be furnished when Form 8971 is filed.

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When does a beneficiary “acquire property”?

- When:
  - Under local law, title vests in the beneficiary; or
  - The beneficiary otherwise has sufficient control over or connection with the property that the beneficiary is able to take action related to the property for which basis is relevant for federal income tax purposes.
- This often is when an executor distributes property.
- For property passing by contract or operation of law, it is upon the decedent’s death, automatically.

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Optional Schedule A

- If a beneficiary has not yet acquired property, the executor may report such property on a beneficiary's Schedule A when the executor has reason to believe that the beneficiary will acquire the property.

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When does one file an Optional Schedule A (and furnish it to beneficiaries)?

- Most commonly filed with the initial Form 8971.
- Can be furnished to beneficiaries prior to filing initial Form 8971. Treas. Reg. § 1.6035-1(c)(1).
  - If done this way, must be attached to the initial Form 8971.

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Is an Optional Schedule A filed as a separate Schedule A from a Required Schedule A?

- The instructions to form 8971 say that the optional Schedule A can include property reported on a required Schedule A **or is reported on a separate Schedule A**.
- The Treasury Regulations say that an Optional Schedule A "must include information relating to other property actually acquired" Treas. Reg. § 1.6035-1(c)(5) (i.e., Required Schedule A Reporting).

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What if we don’t file an Optional Schedule A?

- If after the due date of Form 706 or Form 706-NA (or the earlier filing of Form 8971):
  - A beneficiary acquires property subject to reporting that is not **excepted property**, and
  - The executor has not previously furnished the beneficiary with a Schedule A (e.g., via an Optional Schedule A).

  on or before January 31 of the year following the beneficiary’s acquisition of that property, the executor must furnish a Schedule A to the beneficiary reporting such property and file a supplement to Form 8971 attaching such Schedule(s) A.

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What is “Excepted Property”? (1 of 4)

- Form 8971 reporting not required for certain assets (**excepted property**):

Excepted Property (Defined in Regulations)	Plain English Translation
United States Dollars	**Cash**
United States dollar-denominated demand deposits	**Bank accounts**
Cash collateral denominated in United States Dollars held by a third party to secure a liability	**Cash held by a third party as collateral / security**
Shares of a registered investment company priced in Unite States dollars that is a money market fund under Rule 2a-7 under the Investment Company Act of 1940	**Money market accounts**
Life insurance proceeds on the life of the decedent payable in a lump sum in United States Dollars	**Life insurance proceeds due to decedent’s death**
Federal, state and local tax refunds and other refunds payable in United States Dollars	**Refunds**

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What is “Excepted Property”? (2 of 4)

- Form 8971 reporting not required for certain assets (**excepted property**):

Excepted Property (Defined in Regulations)	Plain English Translation
Notes that are forgiven in full by the decedent upon the decedent’s death, whether or not denominated in United States Dollars	**Loans forgiven by decedent upon death**
Household and personal effects for which an appraisal is not required under Treas. Reg. Section 20.2031-6(b)	**Articles or collections of tangible personal property not valued at more than $3,000**
Property that, prior to distribution from the estate or the decedent’s revocable trust, is completely sold, exchanged, or otherwise disposed of in one or more transactions that are recognition events for federal income tax purposes (whether or not resulting in a gain or loss, and whether or not any gain is capital or ordinary.)	**Property liquidated by the estate before distribution of the proceeds to a beneficiary**

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What is “Excepted Property”? (3 of 4)

- Form 8971 reporting not required for certain assets (**excepted property**):

Excepted Property (Defined in Regulations)	Plain English Translation
Other property having an initial basis that is not in any way determined with regard to or derived from the property’s fair market value for federal estate tax purposes, including, but not limited to: • Annuity contracts subject to section 72 and amounts received as an annuity subject to section 72 • An interest in property that consists entirely of the right to receive an item of income in respect of a decedent as defined in Section 691 • Amounts received under installment obligations arising from a transaction for which the installment method for determining gain under Section 653 applies • Stock of a passive foreign investment company subject to Section 1296(i), but only when the basis of such stock is the adjusted basis in the hands of the decedent before the decedent’s death; and • Interests in and distributions from retirement plans and deferred compensation plans, including individual retirement arrangements as defined in Section 408 and 408A, that are expressed entirely in United States dollars	• **Annuities** • **Wages unpaid at death** • **Accrued dividends and interest unpaid at death** • **Certain unpaid installment sale payments that continue after death** • **Passive foreign investment corporations for which the decedent elected a carry-over basis** • **IRAs / other retirement accounts**

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What is “Excepted Property”? (4 of 4)

- Form 8971 reporting not required for certain assets (**excepted property**):

Excepted Property (Defined in Regulations)	Plain English Translation
Bonds to the extent that they are redeemed by the issuer for United States dollars prior to being distributed to a beneficiary so that any resulting gain or loss is recognized by the estate	**Bonds that matured prior to distribution of the cash proceeds to beneficiaries**
Property included in the gross estate of a beneficiary who died before the due date of the information return	**Property in a deceased beneficiary’s gross estate**
Any other property that is identified as excepted property in published guidance in the Federal Register or in the Internal Revenue Bulletin	**None so far**

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Identification of Excepted Property on Form 8971

- Treasury Regulations state that Executor is required to report on Form 8971, in accordance with the instructions for that form, that some or all of the property subject to reporting is excepted property.
- Instructions to Form 8971 do not appear to include such a requirement.
- You may want to include a rider to Form 8971 that says that some or all of the property subject to reporting is excepted property (if applicable).

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Death of First Spouse, All to Survivor (1 of 9)

- John Q. Public, a U.S. citizen, dies on January 1, 2026, and he leaves all of his assets to his spouse, Jane Q. Public, a U.S. citizen. Jane serves as his Personal Representative. John was only ever married to Jane. No taxable gifts.
- John's gross estate is $20 million. Is his estate required to file Form 8971?
  - Yes!
- Jane files the federal estate tax return on May 1, 2026.

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Death of First Spouse, All to Survivor (2 of 9)

- The following property is shown on John's federal estate tax return:

Schedule	Description	Value
B-1	Awesome Brokerage Account No. ending 111 (contains stock, will be transferred to Jane in-kind)	$10 million
C-1	Big Bank Checking Account No. ending 222	$1 million
C-2	Big Bank Money Market Account No. ending 333	$2 million
D-1	Cash Proceeds, Leading Life Insurance Co. Policy No. 444 Owner: John Q. Public | Insured: John Q. Public | Bene: Jane Q. Public	$3 million
E-1	Residence owned as Tenants by the Entireties with Jane Q. Public	$2 million
E-2	Tangible Personal Property owned as Tenants by the Entireties with Jane Q. Public no item or collection valued above $3,000	$2 million
F-1	Tangible Personal Property, the only item or collection that is worth more than $3,000 is a $5,000 Rolex watch.	$1 million
I-1	IRA, Beneficiary: Jane Q. Public	$ 1 million

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Death of First Spouse, All to Survivor (3 of 9)

- What property is excepted property?

Schedule	Description	Value
B-1	Awesome Brokerage Account No. ending 111 (contains stock, will be transferred to Jane in-kind)	$10 million
C-1	Big Bank Checking Account No. ending 222	$1 million
C-2	Big Bank Money Market Account No. ending 333	$2 million
D-1	Cash Proceeds, Leading Life Insurance Co. Policy No. 444 Owner: John Q. Public | Insured: John Q. Public | Bene: Jane Q. Public	$3 million
E-1	Residence owned as Tenants by the Entireties with Jane Q. Public	$2 million
E-2	Tangible Personal Property owned as Tenants by the Entireties with Jane Q. Public no item or collection valued above $3,000	$2 million
F-1	Tangible Personal Property, the only item or collection that is worth more than $3,000 is a $5,000 Rolex watch.	$1 million
I-1	IRA, Beneficiary: Jane Q. Public	$ 1 million

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Death of First Spouse, All to Survivor (4 of 9)

Form **8971**
(Rev. August 2025)
Department of the Treasury
Internal Revenue Service

Information Regarding Beneficiaries Acquiring Property From a Decedent

Go to *www.irs.gov/Form8971* for instructions and the latest information.

OMB No. 1545-2264

If a supplemental filing, check here ☐

Part I Decedent and Executor Information

1 Decedent's name John Q. Public	**2** Decedent's date of death January 1, 2026	**3** **Decedent's SSN** 111 11 1111
4 Executor's name (see instructions) Jane Q. Public	**5** Executor's phone no. (772) 555-5555	**6** Executor's TIN 222-22-2222
7a Executor's address (number and street) 1 Homestead Lane		**7b** Apt. or suite no.
7c City, town, or post office. For foreign addresses, also complete 7f, 7g, and 7h. Vero Beach		**7d** State Florida / **7e** ZIP code 32963
7f Foreign country name	**7g** Foreign province/state/county	**7h** Foreign postal code

8 Check here if there are multiple executors. If checked, attach a list with the names, addresses, telephone numbers, and TINs of the additional executors . . . . . ☐

9 If the estate elected alternate valuation, indicate the alternate valuation date:

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Death of First Spouse, All to Survivor (5 of 9)

Part II Beneficiary Information

1	Enter the number of beneficiaries of the estate	1	1
2	Enter the number of beneficiaries that have acquired only excepted property	2	0
3	Enter the number of beneficiaries that are expected to acquire (but have not yet acquired) only excepted property	3	0
4	Enter the number of Schedules A (Form 8971) filed with this Form 8971	4	1
5	Check here if all assets of the estate will be sold before distribution of the estate		☐

6 Provide the information requested below for each beneficiary required to be identified on this Form 8971 (or supplement). See instructions. If additional entries are needed, go to next page.

(a) Name of beneficiary	(b) TIN	(c) Address, city, state, zip code	(d) Date provided to the beneficiary	(e) Total estate tax value
Jane Q. Public	222-22-2222	1 Homestead Lane, Vero Beach, FL 32963	May 30, 2026	$11,005,000

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Death of First Spouse, All to Survivor (6 of 9)

Form 8971 (Rev. 8-2025) Page **2**

Part II **Beneficiary Information** *(continued)*

If additional entries are needed, duplicate and use this page.

(a) Name of beneficiary	(b) TIN	(c) Address, city, state, zip code	(d) Date provided to the beneficiary	(e) Total estate tax value

7	Add all amounts in column (e)	7	$11,005,000
8	Total from column (e) from additional Parts II attached to this form	8	
9	**Total estate tax value of property reported on this Form 8971.** Add lines 7 and 8. Amount must match the total from all attached Schedules A, Part II, line 4, column (h)	9	$11,005,000

Form **8971** (Rev. 8-2025)

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Death of First Spouse, All to Survivor (7 of 9)

(continued on next page)

Notice to Executors:

Submit Form 8971 with a copy of each completed Schedule A to the IRS. To protect privacy, Form 8971 should not be provided to any beneficiary. Only Schedule A of Form 8971 should be provided to the beneficiary. Retain copies of all forms for the estate's records.

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, all information reported herein is true, correct, and complete.

May the IRS discuss this return with the preparer shown below? See instructions. [X] **Yes** [ ] **No**

Signature of executor	Date
Jane Z. Public	05/30/2026

Paid Preparer Use Only

Preparer's name	Preparer's signature	Date	Check [ ] if self-employed	PTIN
Assisting Attorney	*Assisting Attorney*	05/30/2026		P00000000

Firm's name	Excellent Estate Planners	Firm's EIN	44-4444444
Firm's address	1 Legal Lane, Vero Beach, FL 32963	Phone no.	(772) 444-4444

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Death of First Spouse, All to Survivor (8 of 9)

Schedule A (Form 8971)
(August 2025)
Department of the Treasury
Internal Revenue Service

Beneficiary Information Regarding Property Acquired From a Decedent

Attach to Form 8971.
Go to *www.irs.gov/Form8971* for instructions and the latest information.

OMB No. 1545-2264

Part I **General Information** (see instructions)

1 Decedent's name	2 Decedent's social security number (SSN)	3 Beneficiary's name	4 Beneficiary's TIN
John Q. Public	111 11 1111	Jane Q. Public	222-22-2222

5 Executor's name	6 Executor's phone no.
Jane Q. Public	(772) 555-5555

7a Executor's address (number and street)	7b Apt. or suite no.
1 Homestead Lane	

7c City, town, or post office. For foreign addresses, also complete lines 7f, 7g, and 7h.	7d State	7e ZIP code
Vero Beach	Florida	32963

7f Foreign country name	7g Foreign province/state/county	7h Foreign postal code

8 Check applicable boxes:
- a ☐ Supplemental filing
- b ☐ Change of beneficiary
- c ☐ Change of beneficiary information
- d ☐ Change to other information

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Contents of Schedules A (9 of 9)

Part II **Information on Property Acquired** (see instructions)

1 Enter the following information about the property acquired from the decedent.

(a) Item no.	(b) Schedule where reported on Form 706 or Form 706-NA	(c) Item no. where reported on Form 706 or Form 706-NA	(d) Description of property acquired from the decedent as reported on Form 706 or Form 706-NA	(e) Percentage of interest acquired	(f) Did this asset increase estate tax liability? Yes	(f) No	(g) Valuation date	(h) Estate tax value (in U.S. dollars)
1	B	1	Awesome Brokerage Account No. ending 111 (See Exhibit 1 for additional details, as reported at Exhibit B-1 to Form 706).	100%		X	January 1, 2026	$10,000,000
2	E	1	Residence located at 1 Homestead Ln, Vero Beach, FL, more particularly described as . . .	50%		X	January 1, 2026	$1,000,000
3	F	1	Rolex Watch (See Exhibit 2 for relevant page of Appraisal Report dated March 15, 2026, shown as Item 6, as reported at Exhibit F-1 to Form 706).	100%		X	January 1, 2026	$5,000

(continued on next page)

Notice to Beneficiaries:

You have received this schedule to inform you of the value of property you received from the estate of the decedent named above. **Retain this schedule for tax reporting purposes.** If the property increased the estate tax liability, IRC section 1014(f) applies, requiring the consistent reporting of basis information. The basis of property acquired from a decedent is generally determined under IRC section 1014(a). However, if you transferred the property to the decedent within the 1-year period ending on the decedent's date of death and reacquired the property at the decedent's death, see IRC section 1014(e). For more information on determining basis, see IRC section 1014 and/or consult a tax professional.

2	Add all amounts in column (h)	2	$11,005,000
3	Total from column (h) from additional Parts II attached to this schedule	3	$0
4	**Total estate tax value of property reported on this Schedule A.** Add lines 2 and 3	4	$11,005,000

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Schedule A, Part II, Line 1, Column (f)
Did asset increase estate tax liability?

- Indicate “Y” only if estate tax was generated and the asset contributed to the estate tax (e.g., the asset wasn’t subject to a marital or charitable deduction).

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Reporting Split Interests in Property

- Indicate the interest on Form 8971.
- For **undivided interests** (e.g., tenants in common, joint tenants with right of survivorship), **report the value of the interest.**
  - Example: Two equal tenants in common receive an undivided ½ interest in property valued at $1 million, list $500,000 on each beneficiary's Schedule A.
- For **interests separated by time**, such as a life estate and remainder (not in trust), report both. Both interest are deemed to have acquired the property on the date of decedent's death. **Report 100% of value to both.**
- Report the interest of the beneficiary of a **contingent interest only if the contingency occurs** by the time there is a final determination of value for federal Estate tax purposes (may require supplemental reporting).

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Reporting Property Subject to Debt

- Report fair market value undiminished by debt, regardless of how reported on the estate tax return.

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Executor's Duty to Supplement

- Executor must file Form 8971 and furnish Supplemental Schedule(s) A if:
  - Beneficiary acquires reportable property that wasn't previously reported.
  - A **change in information** required to be reported causes the information reported to be incorrect or incomplete. For example:
    - Receipt, discovery, or acquisition by executor of **information that changes the beneficiary** to whom property is to be distributed (death, disclaimer, etc.) **or corrects or completes beneficiary information.**
      - (E.g., **beneficiary trust** has no trustee and/or EIN because not established at time of filing, but later is established with a trustee and an EIN.)
    - **Estate tax value of property** previously reported changes due to filing a supplemental estate tax return, or final determination of value via uncontested IRS determination, written agreement with IRS, or unappealable court decision.
    - **Change or addition of property** subject to reporting due to filing a supplemental estate tax return, or included in decedent's gross estate by IRS examination or otherwise.
    - **Change in property to be acquired by a beneficiary**. E.g., executor furnishes Optional Schedule A to a beneficiary and the beneficiary ultimately acquires different property.

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Exceptions to Executor’s Duty to Supplement

- Exceptions include inconsequential errors or omissions, adjustments to basis other than upon death (e.g., through capital improvements or depreciation).
  - 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.

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Deadline to Supplement (Change in Information)

- On or before 30 days after date on which information becomes available to the Executor from which the Executor can conclude that a change in information requires supplemental reporting
  - If change occurs due to supplementing estate tax return, 30 days after filing the return.
  - If change is a determination of final value, 30 days after the date the value becomes the final value.
  - If property has not yet been acquired by a beneficiary, then due date is January 31 of year following the beneficiary's acquisition of the property.

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Duration of Duty to Supplement

- Until a final determination of value for federal estate tax purposes.

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Beneficiary Defined

- Treasury Regulations define a beneficiary as:
  - **An individual**, including one who is both the executor and a beneficiary;
  - **The estate of a deceased individual who survived the decedent** if such individual or estate acquires (or will acquire property) subject to reporting not in trust;
  - **A trust**; or
  - **An entity other than a trust (including a charitable organization).**

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Missing Beneficiary

- If Executor is unable to locate a beneficiary by the filing deadline, the Executor must report:
  - The failure to locate the beneficiary; and
  - The efforts Executor has made to locate the beneficiary.
- The Executor must supplement Form 8971 and Schedule(s) A to report:
  - Locating the beneficiary; or
  - Distributing the beneficiary's property to a different beneficiary.

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Missing Beneficiary Information

- If Executor has solicited a beneficiary's TIN in writing at beneficiary's last known address and hasn't received it by the filing deadline:
  - Enter "requested"; and
  - Attach a copy of the solicitation to Form 8971.
- Executor must supplement Form 8971 and Schedule(s) A once obtained.

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Beneficiary Trusts

- Schedule A provided to Trustee
  - However, **if Executor believes** it is unlikely that beneficiary trust will depreciate, sell, or otherwise dispose of the property, but instead **will distribute property in kind to the trust beneficiaries**, then Executor may furnish Schedule A to trust beneficiaries with copies to the trustee.
- Trustees of beneficiary trusts are themselves subject to reporting (and supplemental reporting) if they receive a Schedule A or any property subject to reporting from a decedent.
- Trustees of further trusts are also subject to reporting (and supplemental reporting). The reporting obligation continues until the property is distributed to a beneficiary not in trust.

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Let’s Connect!



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