ESTATE TAX FILING INSTRUCTIONS

Section References are to the Internal Revenue Code (IRC) as it existed on January 1, 2005.

WHO MUST FILE: This Washington State Estate and Transfer Tax Return must be filed by the executor (i.e. person required to file the return) if the decedent died on or after January 1, 2014, was domiciled in the state of Washington or owned property located in the state of Washington, and the entire estate exceeds the filing threshold for the year of the decedent's death.

Date Death Occurred	Filing Threshold
2014	$2,000,000.00
2015	$2,000,000.00
1/1/16 to 10/22/16	$2,000,000.00
10/23/16 to 12/31/16	Same as exclusion amount
2017	Same as exclusion amount
2018	Same as exclusion amount

WHEN AND WHERE TO FILE: The return is due nine months after the date of death of the decedent. This return is to be filed with the Department of Revenue, Special Programs Division, PO Box 47488, Olympia, WA 98504-7488. **Filing extensions** can be obtained by mailing the Application for Extension of Time to File a Washington State Estate and Transfer Tax Return to the same address. When an extension is requested from the IRS, a copy of the Federal Form 4768 is required to be sent to the Department. If a Federal Form 706 is filed, send a complete copy of the 706 with schedules when filing the Washington estate tax return. Whether or not a 706 is filed, all supporting documentation must be submitted with the Washington return.

WHEN PAYMENT IS DUE: The payment of estate tax is due nine months after the date of death of the decedent. Interest accrues on any tax not paid within nine months of the date of death of the decedent. A check should be made out to Washington State Department of Revenue; write the decedent's name and Social Security number on it.

PART 1 - DECEDENT, EXECUTOR, PREPARER, CONFIDENTIAL

RELEASE Items 1-10: Enter the decedent's information.

Items 11-12: Enter the name and location of the county court where the will or estate was administrated and court cause number, if applicable.

Items 13-22: Enter the executor's information. If more than one executor, enter the primary executor on the return, check the box for multiple executor's, and attach a sheet listing the additional executor's information. The return must be signed by an executor in order to be a valid filing.

Items 23-33: Enter the preparer's information, if applicable.

Item 34: If the executor wants to authorize the Department to communicate (via telephone or mail) about the estate with the preparer, this item must be completed. Only check the boxes that, you as the executor, are authorizing for additional unsecured communication methods (via fax or email) and/or if you want the Department to communicate with any staff at the preparer's company. If this item is not completed and/or the return is not signed, the Department will not be able to communicate with the preparer.

PART 2 - TAX COMPUTATION

Line 1: Enter the Total Gross Estate less Exclusion calculated on Page 3, Part 5 - Recapitulation, Item 12 of this return.

Line 2: Enter the Tentative Total Allowable Deductions calculated on Page 3, Part 5 - Recapitulation, Item 22 of this return. **Line 3:** Enter the amount of the Tentative Taxable Estate (Line 1 less Line 2).

Line 4: Enter the sum of the applicable addendums for allowable adjustments to the tentative taxable estate (add Lines 4a and 4b). Review each addendum; complete only the ones that apply to the estate. Completed addendum(s) must be filed with the return.

4a: If the estate is eligible to take a deduction for property used for farming (farm deduction), complete and attach Addendum # 2. Enter the amount from the addendum's Part 3, Line 6.

4b: If the estate is eligible to take a deduction for a qualified family-owned business interest (QFOBI), complete and attach Addendum # 3. Enter the amount from the addendum's Part 3, Line 8.

Line 5: Enter the result of Line 3 less Line 4.

Line 6: Enter the amount of Washington State Applicable Exclusion Amount from table below:

Applicable Exclusion Amount Table:

Year of Decedent's Death	Applicable Exclusion Amount
2014	$2,012,000.00
2015	$2,054,000.00
2016	$2,079,000.00
2017	$2,129,000.00
2018	$2,193,000.00

Line 7: Enter the result of Line 5 less Line 6. Do not enter less than zero. This is the "Washington Taxable Estate."

Line 8: Enter the tax determined by using Table W (below) on the Washington Taxable Estate (Line 7). *If the amount is zero, skip down to the signature line, you do not need to fill out Lines 9 through 14.* For additional information on calculating the tax, see Chapter 458-57 WAC.

TABLE W (for Dates of Death Occurring on or After January 1, 2014)

If Washington taxable estate is at least	But less than	The amount of tax equals initial tax amount	Plus tax rate %	of Washington taxable estate value greater than
$0	$1,000,000	$0	10.0	$0
$1,000,000	$2,000,000	$100,000	14.0	$1,000,000
$2,000,000	$3,000,000	$240,000	15.0	$2,000,000
$3,000,000	$4,000,000	$390,000	16.0	$3,000,000
$4,000,000	$6,000,000	$550,000	18.0	$4,000,000
$6,000,000	$7,000,000	$910,000	19.0	$6,000,000
$7,000,000	$9,000,000	$1,100,000	19.5	$7,000,000
$9,000,000		$1,490,000	20.0	$9,000,000

***Note**: The amount you start with in the first column is the Washington Taxable Estate (Line 7). This is the amount after allowable deductions, adjustments and the applicable exclusion amount. The tax is not calculated on the gross estate.*

TWO EXAMPLES USING TABLE W - Single Person, Date of Death Occurred in 2014

Total Gross Estate	$3,000,000
Allowable Deductions	$50,000
Tentative Taxable Estate	$2,950,000
Applicable Exclusion Amount	$2,012,000
Washington Taxable Estate	$938,000

Table W is used to compute the tax on the Washington taxable estate of $938,000. The amount falls into the "at least $0, but less than $1,000,000" row. The initial tax is $0, plus 10% on $938,000, for a tax owing of $93,800.

Total Gross Estate	$6,000,000
Allowable Deductions	$100,000
Tentative Taxable Estate	$5,900,000
Applicable Exclusion Amount	$2,012,000
Washington Taxable Estate	$3,888,000

Table W is used to compute the tax on the Washington taxable estate of $3,888,000. The amount falls into the "at least $3,000,000, but less than $4,000,000" row. The initial tax is $390,000 on $3,000,000, plus 16% on $888,000 is $142,080, for a tax owing of $532,080.

Line 9: If the estate is eligible for apportionment of out of state property, complete and attach Addendum # 4. Enter the amount from the addendum's Part 4, Line 6.

Line 10: Enter the Washington Estate Tax Due. This amount equals Line 8 or, if apportioning for out of state property, Line 9.

Line 11: Enter the total amount of any previous payments.

Line 12: Enter the result of Line 10 less Line 11. If Line 10 is larger than Line 11, check the "amount owing" box. If Line 10 is smaller than Line 12, check the "refund due" box and show Line 12 as a negative amount.

***Note**: If any previous payments were paid late, interest must be calculated on the unpaid principal from the day after nine months after the date of death through the postmark date of the payment(s). Late payment interest will affect the amount owing or the refund due.*

Line 13: Enter the amount of interest. Any tax not paid by the due date will accrue interest daily on the unpaid principal. Any overpaid principal accrues daily interest from the date of overpayment until the refund is mailed (the Department will calculate this amount upon reviewing the file). Interest rates are adjusted annually per RCW 82.32.050(2); see the DOR website for applicable rates. If you wish the Department to calculate the amount, do not complete Lines 13 and 14; a notice of the interest due will be sent upon review of the return.

Line 14: Enter the result of adding Lines 12 and 13.

SIGNATURE

The executor (or other person required to file, such as, the personal representative, fiduciary, or trustee) of the estate must sign this return. An unsigned return cannot be processed. If the return is unsigned and the confidential release section, Item 34, is completed, the Department will not be authorized to contact the preparer regarding questions on the return.

PART 3 - ELECTIONS BY THE EXECUTOR

Line 1 - Alternate Value

Unless you elect at the time you file the return to adopt alternate valuation as authorized by IRC §2032, you must value all property included in the gross estate on the date of the decedent's death. Alternate valuation cannot be applied to only a part of the property.

You may elect special use valuation (Line 2) in addition to alternate valuation.

You may not elect alternate valuation unless the election will decrease both the value of the gross estate and the total net estate taxes due after application of all allowable credits.

You elect alternate valuation by checking "Yes" on Line 1 and filing this form. Once made, the election may not be revoked. The election may be made on a late filed return provided it is not filed later than 1 year after the due date (including extensions).

If you elect alternate valuation, value the property that is included in the gross estate as of the applicable dates as follows:

1. Any property distributed, sold, exchanged, or otherwise disposed of or separated or passed from the gross estate by any method within six months after the decedent's death is valued on the date of distribution, sale, exchange, or other disposition, whichever occurs first. Value this property on the date it ceases to form a part of the gross estate; i.e., on the date the title passes as the result of its sale, exchange, or other disposition.
2. Any property not distributed, sold, exchanged, or otherwise disposed of within the six-month period is valued on the date six months after the date of the decedent's death.
3. Any property, interest, or estate that is "affected by mere lapse of time" is valued as of the date of decedent's death or on the date of its distribution, sale, exchange, or other disposition, whichever occurs first. However, you may change the date of death value to account for any change in value that is not due to a "mere lapse of time" on the date of its distribution, sale, exchange, or other disposition.

The property included in the alternate valuation and valued as of six months after the date of the decedent's death, or as of some intermediate date (as described above) is the property included in the gross estate on the date of the decedent's death. Therefore, you must first determine what property constituted the gross estate at the decedent's death.

Interest. Interest accrued to the date of the decedent's death on bonds, notes, and other interest-bearing obligations is property of the gross estate on the date of death and is included in the alternate valuation.

Rent. Rent accrued to the date of the decedent's death on leased real or personal property is property of the gross estate on the date of death and is included in the alternate valuation.

Dividends. Outstanding dividends that were declared to stockholders of record on or before the date of the decedent's death are considered property of the gross estate on the date of death, and are included in the alternate valuation. Ordinary dividends declared to stockholders of record after the date of the decedent's death are not property of the gross estate on the date of death and are not included in the alternate valuation. However, if dividends are declared to stockholders of record after the date of the decedent's death so that the shares of stock at the later valuation date do not reasonably represent the same property at the date of the decedent's death, include those dividends (except dividends paid from earnings of the corporation after the date of the decedent's death) in the alternate valuation.

As part of each Schedule A through I, you must show:

1. What property is included in the gross estate on the date of the decedent's death;
2. What property was distributed, sold, exchanged, or otherwise disposed of within the six-month period after the decedent's death, and the dates of these distributions, etc.

   (These two items should be entered in the "Description" column of each schedule. Briefly explain 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. In this same column, describe each item of principal and includible income);
3. The date of death value, entered in the appropriate value column with items of principal and includible income shown separately; and
4. The alternate value, entered in the appropriate value column with items of principal and includible income shown separately. (In the case of any interest or estate, the value of which is affected by lapse of time, such as patents, leaseholds, estates for the life of another, or remainder interests, 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 lapse of time.)

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 issued an order of distribution during that period, you must submit a certified copy of the order as part of the evidence. The Department of Revenue may require you to submit additional evidence if necessary.

If the alternate valuation method is used, the values of life estates, remainders, and similar interests are figured using the age of the recipient on the date of the decedent's death and the value of the property on the alternate valuation date.

Line 2 - Special Use Valuation of IRC §2032A

Under IRC §2032A, you may elect to value certain farm and closely held business real property at its farm or business use value rather than its fair market value. You may elect both special use valuation and alternate valuation.

To elect this valuation you must check "Yes" on Line 2 and complete and attach Schedule A-1 and its required additional statements. **You must file Schedule A-1 and its required attachments with this return for this election to be valid.** You may make the election on a late filed return so long as it is the first return filed.

Real property may qualify for the IRC §2032A election if:

1. The decedent was a U.S. citizen or resident at the time of death;
2. The real property is located in the United States;

3. At the decedent's death the real property was used by the decedent or a family member for farming or in a trade or business, or was rented for such use by either the surviving spouse or a lineal descendant of the decedent to a family member on a net cash basis;
4. The real property was acquired from or passed from the decedent to a qualified heir of the decedent;
5. The real property was owned and used in a qualified manner by the decedent or a member of the decedent's family during five of the eight years before the decedent's death;
6. There was material participation by the decedent or a member of the decedent's family during five of the eight years before the decedent's death; and
7. The qualified property meets the following percentage requirements:
   a. At least 50% of the adjusted value of the gross estate must consist of the adjusted value of real or personal property that was being used as a farm or in a closely held business and that was acquired from, or passed from, the decedent to a qualified heir of the decedent; and
   b. At least 25% of the adjusted value of the gross estate must consist of the adjusted value of qualified farm or closely held business real property.

For this purpose, adjusted value is the value of property determined without regard to its special-use value. The value is reduced for unpaid mortgages on the property or any indebtedness against the property, if the full value of the decedent's interest in the property (not reduced by such mortgage or indebtedness) is included in the value of the gross estate. The adjusted value of the qualified real and personal property used in different businesses may be combined to meet the 50% and 25% requirements.

Qualified Real Property

Qualified use. The term "qualified use" means the use of the property as a farm for farming purposes or the use of property in a trade or business other than farming. Trade or business applies only to the active conduct of a business. It does not apply to passive investment activities or the mere passive rental of property to a person other than a member of the decedent's family. Also, no trade or business is present in the case of activities not engaged in for profit.

Ownership. To qualify as special-use property, the decedent or a member of the decedent's family must have owned and used the property in a qualified use for five of the last eight years before the decedent's death. Ownership may be direct or indirect through a corporation, a partnership, or a trust.

If the ownership is indirect, the business must qualify as a closely held business under IRC §6166. The ownership, when combined with periods of direct ownership, must meet the requirements of IRC §6166 on the date of the decedent's death and for a period of time that equals at least five of the eight years preceding death.

If the property was leased by the decedent to a closely held business, it qualifies as long as the business entity to which it was rented was a closely held business with respect to the decedent on the date of the decedent's death and for sufficient time to meet the "five in eight years" test explained above.

Structures and other real property improvements. Qualified real property includes residential buildings and other structures and real property improvements regularly occupied or used by the owner or lessee of real property (or by the employees of the owner or lessee) to operate the farm or business. A farm residence which the decedent had occupied is considered to have been occupied for the purpose of operating the farm even when a family member and not the decedent was the person materially participating in the operation of the farm.

Qualified real property also includes roads, buildings, and other structures and improvements functionally related to the qualified use.

Elements of value such as mineral rights that are not related to the farm or business use are not eligible for special-use valuation.

Property acquired from the decedent. Property is considered to have been acquired from or to have passed from the decedent if one of the following applies:

- The property is considered to have been acquired from or to have passed from the decedent under IRC §1014(b) (relating to basis of property acquired from a decedent);
- The property is acquired by any person from the estate; or
- The property is acquired by any person from a trust, to the extent the property is includible in the gross estate.

Qualified heir. A person is a qualified heir of property if he or she is a member of the decedent's family and acquired or received the property from the decedent. If a qualified heir disposes of any interest in qualified real property to any member of his or her family, that person will then be treated as the qualified heir with respect to that interest.

The term **member of the family** includes only:

1. An ancestor (parent, grandparent, etc.) of the individual;
2. The spouse of the individual;
3. The lineal descendant (child, stepchild, grandchild, etc.) of the individual, the individual's spouse, or a parent of the individual; or
4. The spouse, widow, or widower of any lineal descendant described above.

A legally adopted child of an individual is treated as a child of that individual by blood.

Material Participation

To elect special-use valuation, either the decedent or a member of his or her family must have materially participated in the operation of the farm or other business for at least five of the eight years ending on the date of the decedent's death. The existence of material participation is a factual determination, but passively collecting rents, salaries, draws, dividends, or other income from the farm or other business does not constitute material participation. Neither does merely advancing capital and reviewing a crop plan and financial reports each season or business year. In determining whether the required participation has occurred, disregard brief periods (i.e., 30 days or less) during which there was no material participation, as long as such periods were both preceded and followed by substantial periods (more than 120 days) during which there was uninterrupted material participation.

Retirement or disability. If, on the date of death, the time period for material participation could not be met because the decedent had retired or was disabled, a substitute period may apply. The decedent must have retired on Social Security or been disabled for a continuous period ending with death. A person is disabled for this purpose if he or she was mentally or physically unable to materially participate in the operation of the farm or other business.

The substitute time period for material participation for these decedents is a period totaling at least five years out of the eight-year period that ended on the earlier of (1) the date the decedent began receiving social security benefits, or (2) the date the decedent became disabled.

Surviving spouse. A surviving spouse who received qualified real property from the predeceased spouse is considered to have materially participated if he or she was engaged in the active management of the farm or other business. If the surviving spouse died within eight years of the first spouse's death, you may add the period of material participation of the predeceased spouse to the period of active management by the surviving spouse to determine if the surviving spouse's estate qualifies for special-use valuation.
To qualify for this, the property must have been eligible for special-use valuation in the predeceased spouse's estate, though it does not have to have been elected by that estate.

For additional details regarding material participation, see IRC Regulations §20.2032A-3(e).

Valuation Methods

The primary method of valuing special-use value property that is used for farming purposes is the annual gross cash rental method. If comparable gross cash rentals are not available, you can substitute comparable average annual net share rentals. If neither of these are available, or if you so elect, you can use the method for valuing real property in a closely held business.

Average annual gross cash rental. Generally, the special-use value of property that is used for farming purposes is determined as follows:

1. Subtract the average annual state and local real estate taxes on actual tracts of comparable real property from the average annual gross cash rental for that same comparable property; and
2. Divide the result in 1 by the average annual effective interest rate charged for all new Federal Land Bank loans.

The computation of each average annual amount is based on the five most recent calendar years ending before the date of the decedent's death.

Gross cash rental. Generally, gross cash rental is the total amount of cash received in a calendar year for the use of actual tracts of comparable farm real property in the same locality as the property being specially valued. You may not use appraisals or other statements regarding rental value or area wide averages of rentals. You may not use rents that are paid wholly or partly in kind, and the amount of rent may not be based on production. The rental must have resulted from an arm's-length transaction. Also, the amount of rent is not reduced by the amount of any expenses or liabilities associated with the farm operation or the lease.

Comparable property. Comparable property must be situated in the same locality as the specially valued property as determined by generally accepted real property valuation rules. The determination of comparability is based on all the facts and circumstances. It is often necessary to value land in segments where there are different uses or land characteristics included in the specially valued land. The following list contains some of the factors considered in determining comparability.

- Similarity of soil;
- Whether the crops grown would deplete the soil in a similar manner;
- Types of soil conservation techniques that have been practiced on the two properties;
- Whether the two properties are subject to flooding;
- Slope of the land;
- For livestock operations, the carrying capacity of the land;
- For timbered land, whether the timber is comparable;
- Whether the property as a whole is unified or segmented; if segmented, the availability of the means necessary for movement among the different sections;
- Number, types, and conditions of all buildings and other fixed improvements located on the properties and their location as it affects efficient management, use, and value of the property; and
- Availability and type of transportation facilities in terms of costs and of proximity of the properties to local markets.

You must specifically identify on the return the property being used as comparable property. Use the type of descriptions used to list real property on Schedule A.

Effective interest rate. Contact the Washington State Department of Revenue for the annual interest rate.

Net share rental. You may use average annual net share rental from comparable land only if there is no comparable land from which average annual gross cash rental can be determined. Net share rental is the difference between the gross value of produce received by the lessor from the comparable land and the cash operating expenses (other than real estate taxes) of growing the produce that, under the lease, are paid by the lessor. The production of the produce must be the business purpose of the farming operation. For this purpose, produce includes livestock.

The gross value of the produce is generally the gross amount received if the produce was disposed of in an arm's-length transaction within the period established by the federal Department of Agriculture for its price support program. Otherwise, the value is the weighted average price for which the produce sold on the closest national or regional commodities market. The value is figured for the date or dates on which the lessor received (or constructively received) the produce.

Valuing a real property interest in closely held business. Use this method to determine the special-use valuation for qualifying real property used in a trade or business other than farming. You may also use this method for qualifying farm property if there is no comparable land or if you elect to use it.

Under this method, the following factors are considered:

- The capitalization of income that the property can be expected to yield for farming or for closely held business purposes over a reasonable period of time with prudent management and traditional cropping patterns for the area, taking into account soil capacity, terrain configuration, and similar factors;
- The capitalization of the fair rental value of the land for farming or for closely held business purposes;
- The assessed land values in a state that provides a differential or use value assessment law for farmland or closely held business;
- Comparable sales of other farm or closely held business land in the same geographical area far enough removed from a metropolitan or resort area so that non agricultural use is not a significant factor in the sales price; and
- Any other factor that fairly values the farm or closely held business value of the property.

Making the Election

Include the words "IRC §2032A valuation" in the "Description" column of any return schedule if IRC §2032A property is included in the decedent's gross estate.

An election under IRC §2032A need not include all the property in an estate that is eligible for special use valuation, but sufficient property to satisfy the threshold requirements of IRC §2032A(b)(1)(B) must be specially valued under the election.

If joint or undivided interests (i.e., interests as joint tenants or tenants in common) in the same property are received from a decedent by qualified heirs, an election with respect to one heir's joint or undivided interest need not include any other heir's interest in the same property if the electing heir's interest plus other property to be specially valued satisfies the requirements of IRC §2032A(b)(1)(B).

If successive interests (i.e., life estates and remainder interests) are created by a decedent in otherwise qualified property, an election under IRC §2032A is available only with respect to that property (or part) in which qualified heirs of the decedent receive all of the successive interests, and such an election must include the interests of all of those heirs.

For example, if a surviving spouse receives a life estate in otherwise qualified property and the spouse's brother receives a remainder interest in fee, no part of the property may be valued pursuant to an election under IRC §2032A.

Where successive interests in specially valued property are created, remainder interests are treated as being received by qualified heirs only if the remainder interests are not contingent on surviving a non-family member or are not subject to divestment in favor of a non-family member.

Protective Election

You may make a protective election to specially value qualified real property. Under this election, whether or not you may ultimately use special use valuation depends upon values as finally determined (or agreed to following examination of the return) meeting the requirements of IRC §2032A.

To make a protective election, check "Yes" on line 2 and complete Schedule A-1 according to its instructions for "Protective Election."

If you make a protective election, you should complete this return by valuing all property at its fair market value. Do not use special use valuation. Usually, this will result in higher estate tax liabilities than will be ultimately determined if special use valuation is allowed. **The protective election does not extend the time to pay the taxes shown on the return.**

If it is found that the estate qualifies for special use valuation based on the values as finally determined (or agreed to following examination of the return), you must file an amended return (with a complete IRC §2032A election) within 60 days after the date of this determination. Complete the amended return using special use values under the rules of IRC §2032A, and complete Schedule A-1 and attach all of the required statements.

Additional Information

For definitions and additional information, see IRC §2032A and the related Regulations.

Line 3 - Installment Payments

If the gross estate includes an interest in a closely held business, you may be able to elect to pay part of the estate tax in installments.

The maximum amount that can be paid in installments is that part of the estate tax that is attributable to the closely held business. In general, that amount is the amount of tax that bears the same ratio to the total estate tax that the value of the closely held business included in the gross estate bears to the total gross estate.

Percentage requirements. To qualify for installment payments, the value of the interest in the closely held business that is included in the gross estate must be more than 35% of the adjusted gross estate (the gross estate less expenses, indebtedness, taxes, and losses).

Interests in two or more closely held businesses are treated as an interest in a single business if at least 20% of the total value of each business is included in the gross estate. For this purpose, include any interest held by the surviving spouse that represents the surviving spouse's interest in a business held jointly with the decedent as community property or as joint tenants, tenants by the entirety, or tenants in common.

Value. The value used for meeting the percentage requirements is the same value used for determining the gross estate. Therefore, if the estate is valued under alternate valuation or special use valuation, you must use those values to meet the percentage requirements.

Transfers before death. Generally, gifts made before death are not included in the gross estate. However, the estate must meet the 35% requirement by both including and excluding in the gross estate any gifts made by the decedent within three years of death.

Passive assets. In determining the value of a closely held business and whether the 35% requirement is met, do not include the value of any passive assets held by the business. A **passive asset** is any asset not used in carrying on a trade or business. Stock in another corporation is a passive asset unless the stock is treated as held by the decedent because of the election to treat holding company stock as business company stock, as discussed below.

If a corporation owns at least 20% in value of the voting stock of another corporation, or the other corporation had no more than 45 shareholders and at least 80% of the value of the assets of each corporation is attributable to assets used in carrying on a trade or business, then these corporations will be treated as a single corporation, and the stock will not be treated as a passive asset. Stock held in the other corporation is not taken into account in determining the 80% requirement.

Interest in closely held business. For purposes of the installment payment election, an interest in a closely held business means:

- Ownership of a trade or business carried on as a proprietorship;
- An interest as a partner in a partnership carrying on a trade or business if 20% or more of the total capital interest was included in the gross estate of the decedent or the partnership had no more than 45 partners; or
- Stock in a corporation carrying on a trade or business if 20% or more in value of the voting stock of the corporation is included in the gross estate of the decedent or the corporation had no more than 45 shareholders.

The partnership or corporation must be carrying on a trade or business at the time of the decedent's death.

In determining the number of partners or shareholders, a partnership or stock interest is treated as owned by one partner or shareholder if it is community property or held by a husband and wife as joint tenants, tenants in common or as tenants by the entirety.

Property owned directly or indirectly by or for a corporation, partnership, estate, or trust is treated as owned proportionately by or for its shareholders, partners, or beneficiaries. For trusts, only beneficiaries with current interests are considered.

The interest in a closely held farm business includes the interest in the residential buildings and related improvements occupied regularly by the owners, lessees, and employees operating the farm.

Holding company stock. The executor may elect to treat as business company stock the portion of any holding company stock that represents direct ownership (or indirect ownership through one or more other holding companies) in a business company. **A holding company** is a corporation holding stock in another corporation. A **business company** is a corporation carrying on a trade or business.

In general this election applies only to stock that is not readily tradable. However, the election can be made if the business company stock is readily tradable, as long as all of the stock of each holding company is not readily tradable.

For purposes of the 20% voting stock requirement, stock is treated as voting stock to the extent the holding company owns voting stock in the business company.

If the executor makes this election, the first installment payment is due when the estate tax return is filed. The five-year deferral for payment of the tax, as discussed below under **Time for payment,** does not apply.

Time for payment. Under the installment method, the executor may elect to **defer** payment of the qualified estate tax, but not interest, for up to five years from the original payment due date. After the first installment of tax is paid, you must pay the remaining installments annually by the date one year after the due date of the preceding installment. There can be no more than ten installment payments.

Interest on the unpaid portion of the tax is not deferred and must be paid annually. In years in which installments of principal are paid, interest must be paid at the same time as and as a part of each installment payment of the tax.

For information on the acceleration of payment when an interest in the closely held business is disposed of, see IRC §6166(g).

Important: *Only accrued interest, that has been paid, on installment payments can be deducted as an administrative expense of the estate.*

Making the election. If you check this line to make a protective election, you should attach a notice of protective election as described in IRC Regulations §20.6166-1(d). If you check this line to make a final election, you should attach the notice of election described in IRC Regulations §20.6166-1(b). In computing the adjusted gross estate under IRC §6166(b)(6) to determine whether an election may be made under IRC §6166, the net amount of any real estate in a closely held business must be used.

Line 4 - Reversionary or Remainder Interests

For details of this election, see IRC §6163 and the related Regulations.

PART 4 - GENERAL INFORMATION

Line 1 - Marital Status

Enter the marital status of the decedent at the time of death by checking the appropriate box. If the decedent was married at the time of death, complete Lines 2 through 4. If the decedent had one or more prior marriages, attach a sheet providing the name and SSN of each former spouse, the date(s) the marriage ended, and specify whether the marriage ended by annulment, divorce decree, or death of spouse.

Lines 2-4 - Surviving Spouse

Complete Lines 2 and 3 even if the surviving spouse did not receive any benefits from the estate. If there was no surviving spouse on the date of decedent's death, enter "None" in Line 2 and leave Lines 3 and 4 blank. The value entered in Line 4 need not be exact. See the instructions for "Amount" under Line 5, below.

Line 5 - Beneficiaries

Name. Enter the name of each individual, trust, or estate who received (or will receive) benefits of $5,000 or more from the estate directly as an heir, next-of-kin, devisee, or legatee; or indirectly (for example, as beneficiary of an annuity or insurance policy, shareholder of a corporation, or partner of a partnership that is an heir, etc.).

Identifying number. Enter the SSN of each individual beneficiary listed. If the number is unknown, or the individual has no number, indicate "unknown" or "none." For trusts and other estates, enter the FEIN.

Relationship. For each individual beneficiary enter the relationship (if known) to the decedent by reason of blood, marriage, or adoption. For trust or estate beneficiaries, indicate TRUST or ESTATE.

Amount. Enter the amount actually distributed (or to be distributed) to each beneficiary including transfers during the decedent's life from Schedule G required to be included in the gross estate. The value to be entered need not be exact. A reasonable estimate is sufficient. Where precise values cannot readily be determined, as with certain future interests, a reasonable approximation should be entered. The total of these distributions should approximate the amount of gross estate reduced by funeral and administrative expenses, debts and mortgages, bequests to surviving spouse, charitable bequests, and any federal and state estate taxes paid (or payable) relating to the benefits received by the beneficiaries listed on Lines 2-5.

All distributions of less than $5,000 to specific beneficiaries may be included with distributions to unascertainable beneficiaries on the line provided.

Line 6 - RCW 83.100.047 / IRC §2044 Property

If you answered "Yes", these assets must be shown on Schedule F. RCW 83.100.047 and/or IRC §2044 property is property for which a previous QTIP election was made, or for which a similar gift tax election (IRC §2523) was made. For more information, see the instructions for Schedule F.

Lines 8a and 8b - Insurance Not Included in Gross Estate

If you answered "Yes" on either line 8a or 8b, you must complete and attach Schedule D and attach a **Federal Form 712**, Life Insurance Statement, for each policy and an explanation of why the policy or its proceeds are not includible in the gross estate.

Lines 10a and 10b - Partnership Interests and Stock in Closely Held Corporation

If you answered "Yes" on line 10a, you must include full details for partnerships and unincorporated businesses on Schedule F (Schedule E if the partnership interest is jointly owned). You must include full details for the stock of inactive or close corporations on Schedule B.

Value these interests using the rules of IRC Regulations §20.2031-2 (stocks) or §20.2031-3 (other business interests).

A "close corporation" is a corporation whose shares are owned by a limited number of shareholders. Often, one family holds the entire stock issue. As a result, little, if any, trading of the stock takes place. There is, therefore, no established market for the stock, and those sales that do occur are at irregular intervals and seldom reflect all the elements of a representative transaction as defined by the term "fair market value" (FMV).

Lines 12a through 12e - Trusts

If you answered "Yes" on either 12a or 12b, you ***must*** attach a copy of the trust instrument for ***each trust.***

You must complete Schedule G if you answered "Yes" on 12a and Schedule F if you answered "Yes" on 12b.

PART 5 - RECAPITULATION

Gross Estate

Items 1 through 10 - You must make an entry in each of Items 1 through 9.

If the gross estate does not contain any assets of the type specified by a given item, enter zero for that item. Entering zero for any of items 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 item.

Do not enter any amounts in the "Alternate value" column unless you elected alternate valuation on Line 1 of Elections by the Executor on Page 2 of this return.

Which schedules to attach for Items 1 through 9. You must attach:

- Schedule F to the return and answer its questions even if you report no assets on it;
- Schedules A, B, and C if the gross estate includes any real estate; stocks and bonds; or mortgages, notes, and cash, respectively;
- Schedule D if the gross estate includes any life insurance or if you answered "Yes" on Lines 8a or 8b of Part 4;
- Schedule E if the gross estate contains any jointly owned property or if you answered "Yes" on Line 9 of Part 4;
- Schedule G if the decedent made any of the lifetime transfers to be listed on that schedule or if you answered "Yes" on Line 11 of Part 4;
- Schedule H if you answered "Yes" on Line 13 of Part 4; and
- Schedule I if you answered "Yes" on Line 15 of Part 4.

Exclusion

Item 11 - Conservation easement exclusion. You must complete and attach Schedule U (along with any required attachments) to claim the exclusion on this line.

Deductions

Items 13 through 21. You must attach the appropriate schedules for the deductions you claim.

Item 17. If Item 16 is less than or equal to the value (at the time of the decedent's death) of the property subject to claims, enter the amount from Item 16 on Item 17.

If the amount on Item 16 is more than the value of the property subject to claims, enter the greater of (a) the value of the property subject to claims, or (b) the amount actually paid at the time the return is filed.

In no event should you enter more on Item 17 than the amount on Item 16. See IRC §2053 and the related Regulations for more information.

INSTRUCTIONS FOR SCHEDULE A - REAL ESTATE

If the total gross estate contains any real estate, you must complete Schedule A and file it with the return. On schedule A, list real estate the decedent owned or had contracted to purchase. Number each parcel in the left-hand column.

Describe the real estate in enough detail so that the Department can easily locate it for valuation. For each parcel of real estate, report the area and, if the parcel is improved, describe the improvements. For city or town property, report the street and number, ward, subdivision, block and lot, etc. For rural property, report the township, range, landmarks, etc.

If any item of real estate is subject to a mortgage for which the decedent's estate is liable, that is, if the indebtedness may be charged against other property of the estate that is not subject to that mortgage, or if the decedent was personally liable for that mortgage, you must report the full value of the property in the value column. Enter the amount of the mortgage under "Description" on this schedule. The unpaid amount of the mortgage may be deducted on Schedule K.

If the decedent's estate is NOT liable for the amount of the mortgage, report only the value of the equity of redemption (or value of the property less the indebtedness) in the value column as part of the gross estate. Do not enter any amount less than zero. Do not deduct the amount of indebtedness on Schedule K.

Also list on Schedule A real property the decedent contracted to purchase. Report the full value of the property and not the equity in the value column. Deduct the unpaid part of the purchase price on Schedule K.

Report the value of real estate without reducing it for homestead or other exemption, or the value of dower, curtesy, or a statutory estate created instead of dower or curtesy.

Explain how the reported values were determined and attach copies of any appraisals.

On Schedule A list real estate the decedent owned or had contracted to purchase.

Number each parcel in the left-hand columns.

SCHEDULE A - EXAMPLES

In this example, alternate valuation is not adopted: the date of death is January 1, 2014.

Item Number	Description	Alternate Valuation Date	Alternate Value	Value at Date of Death
1.	House and lot, 1921 William Street NW, Tacoma, Washington (lot 6, square 481). Rent of $3,900 due at end of each quarter, February 1, May 1, August 1, and November 1. Value based on appraisal, copy of which is attached			208,000
	Rent due on item 1 for quarter ending November 1, 2013, but not collected at date of death			3,900
	Rent accrued on item 1 for November and December 2013			2,600
2.	House and lot, 304 Jefferson Street, Seattle, Washington (lot 18, square 40). Rent of $900 payable monthly. Value based on appraisal, copy of which is attached.....			196,000
	Rent due on item 2 for December 2013, but not collected at date of death.....			900

In this example, alternate valuation is adopted: the date of death is January 1, 2014

Item Number	Description	Alternate Valuation Date	Alternate Value	Value at Date of Death
1.	House and lot, 1921 William Street NW, Tacoma, Washington (lot 6, square 481). Rent of $3,900 due at end of each quarter, February 1, May 1, August 1, and November 1. Value based on appraisal, copy of which is attached. Not disposed of within 6 months following death.....	7/1/14	196,000	208,000
	Rent due on item 1 for quarter ending November 1, 2013, but not collected until February 1, 2014	2/1/14	3,900	3,900
	Rent accrued on item 1 for November and December 2013, collected on February 1, 2014	2/1/14	2,600	2,600
2.	House and lot, 304 Jefferson Street, Seattle, Washington (lot 18, square 40). Rent of $900 payable monthly. Value based on appraisal, copy of which is attached. Property exchanged for farm on May 1, 2014.....	5/1/14	190,000	196,000
	Rent due on item 2 for December 2013, but not collected until February 1, 2014	2/1/14	900	900

INSTRUCTIONS FOR SCHEDULE A-1. IRC §2032A VALUATION

The election to value certain farm and closely held business property at its special use value is made by checking "Yes" on Line 2 of Part 3 - Elections by the Executor. Schedule A-1 is used to report the additional information that must be submitted to support this election. In order to make a valid election, you must complete Schedule A-1 and attach all of the required statements and appraisals.

For definitions and additional information concerning special use valuation, see IRC §2032A and the related Regulations.

Part 1 - Type of Election

Protective election. To make the protective election described in the separate instructions for Line 2 of Part 3 - Elections by the Executor, you must check this box, enter the decedent's name and Social Security number in the spaces provided at the top of Schedule A-1, and complete Line 1 and Column A of Lines 3 and 4 of Part 2. For purposes of the protective election, list on Line 3 all of the real property that passes to the qualified heirs even though some of the property will be shown on Line 2 when the additional notice of election is subsequently filed. You need not complete Columns B-D of Lines 3 and 4. You need not complete any other line entries on Schedule A-1. Completing Schedule A-1 as described above constitutes a Notice of Protective Election as described in IRC Regulations §20.2032A-8(b).

Part 2 - Notice of Election

Line 10. You must list each person who receives an interest in the specially valued property on Schedule A-1. If there are more than eight persons who receive interests, use an additional sheet that follows the format of Line 10. In the columns "Fair market value" and "Special use value" you should enter the total respective values of all the specially valued property interests received by each person.

Checklist for IRC §2032A election. *If you are going to make the special use valuation election on Schedule A-1, use this checklist to ensure that you are providing everything necessary to make a valid election.*

To have a valid special use valuation election under IRC §2032A, you must file, in addition to the estate tax return, a notice of election (Schedule A-1, Part 2). You must include certain information in the notice of election. To ensure that the notice of election includes all of the information required for a valid election, use the following checklist. The checklist is for your use only. Do not file it with the return.

1. Does the notice of election include the decedent's name and Social Security number as they appear on the estate tax return?
2. Does the notice of election include the relevant qualified use of the property to be specially valued?
3. Does the notice of election describe the items of real property shown on the estate tax return that are to be specially valued and identify the property by the return schedule and item number?
4. Does the notice of election include the fair market value of the real property to be specially valued and also include its value based on the qualified use (determined without the adjustments provided in IRC §2032A(b)(3)(B))?
5. Does the notice of election include the adjusted value (as defined in IRC §2032A(b)(3)(B)) of (a) all real property that both passes from the decedent and is used in a qualified use, without regard to whether it is to be specially valued, and (b) all real property to be specially valued?
6. Does the notice of election include (a) the items of personal property shown on the estate tax return that pass from the decedent to a qualified heir and that are used in qualified use and (b) the total value of such personal property adjusted under IRC §2032A(b)(3)(B)?
7. Does the notice of election include the adjusted value of the gross estate? (See IRC §2032A(b)(3)(A).)
8. Does the notice of election include the method used to determine the special use value?
9. Does the notice of election include copies of written appraisals of the fair market value of the real property?
10. Does the notice of election include a statement that the decedent and/or a member of his or her family has owned all of the specially valued property for at least five years of the eight years immediately preceding the date of the decedent's death?
11. Does the notice of election include a statement as to whether there were any periods during the eight-year period preceding the decedent's date of death during which the decedent or a member of his or her family did not (a) own the property to be specially valued, (b) use it in a qualified use, or (c) materially participate in the operation of the farm or other business? (See IRC §2032A(e)(6).)
12. Does the notice of election include, for each item of specially valued property, the name of every person taking an interest in that item of specially valued property and the following information about each such person: (a) the person's address, (b) the person's taxpayer identification number, (c) the person's relationship to the decedent, and (d) the value of the property interest passing to that person based on both fair market value and qualified use?
13. Does the notice of election include affidavits describing the activities constituting material participation and the identity of the material participants?
14. Does the notice of election include a legal description of each item of specially valued property?

(In the case of an election made for qualified woodlands, the information included in the notice of election must include the reason for entitlement to the woodlands election.)

INSTRUCTIONS FOR SCHEDULE B - STOCKS AND BONDS

If the total gross estate contains any stocks or bonds, you must complete Schedule B and file it with the return.

On Schedule B, list the stocks and bonds included in the decedent's gross estate. Number each item in the left-hand column. Bonds that are exempt from federal income tax are not exempt from estate tax unless specifically exempted by an estate tax provision of the IRC. Therefore, you should list these bonds on Schedule B.

Public housing bonds includible in the gross estate must be included at their full value.

List interest and dividends on each stock or bond separately. Indicate as a separate item dividends that have not been collected at death, but which are payable to the decedent or the estate because the decedent was a stockholder of record on the date of death. However, if the stock is being traded on an exchange and is selling ex-dividend on the date of the decedent's death, do not include the amount of the dividend as a separate item. Instead, add it to the ex-dividend quotation in determining the fair market value of the stock on the date of the decedent's death. Dividends declared on shares of stock before the death of the decedent but payable to stockholders of record on a date after the decedent's death are not includible in the gross estate for estate tax purposes.

Description

Stocks. For stocks, indicate:

- Number of shares;
- Whether common or preferred;
- Issue;
- Par value where needed for identification;
- Price per share;
- Exact name of corporation;
- Principal exchange upon which sold, if listed on an exchange; and
- Nine-digit CUSIP number (defined below).

Bonds. For bonds, indicate:

- Quantity and denomination;
- Name of obligor;
- Date of maturity;
- Interest rate;
- Interest due date;
- Principal exchange, if listed on an exchange; and
- Nine-digit CUSIP number.

If the stock or bond is unlisted, show the company's principal business office.

If the gross estate includes any interest in a trust, partnership, or closely held entity, provide the federal employer identification number (FEIN) of the entity in the description column on Schedules B, E, F, G, M, and O, where applicable. You must also provide the FEIN of the estate (if any) in the description column on the above-noted schedules, where applicable.

The Committee on Uniform Security Identification Procedure (CUSIP) number is a nine-digit number that is assigned to all stocks and bonds traded on major exchanges and many unlisted securities. Usually, the CUSIP number is printed on the face of the stock certificate. If the CUSIP number is not printed on the certificate, it may be obtained through the company's transfer agent.

Valuation

List the fair market value (FMV) of the stocks or bonds. The FMV of a stock or bond (whether listed or unlisted) is the mean between the highest and lowest selling prices quoted on the valuation date. If only the closing selling prices are available, then the FMV is the mean between the quoted closing selling price on the valuation date and on the trading day before the valuation date.

If there were no sales on the valuation date, figure the FMV as follows.

1. Find the mean between the highest and lowest selling prices on the nearest trading date before and the nearest trading date after the valuation date. Both trading dates must be reasonably close to the valuation date.
2. Prorate the difference between the mean prices to the valuation date.
3. Add or subtract (whichever applies) the prorated part of the difference to or from the mean price figured for the nearest trading date before the valuation date.

If no actual sales were made reasonably close to the valuation date, make the same computation using the mean between the bona fide bid and asked prices instead of sales prices. If actual sales prices or bona fide bid and asked prices are available within a reasonable period of time before the valuation date but not after the valuation date, or vice versa, use the mean between the highest and lowest sales prices or bid and asked prices as the FMV.

For example, assume that sales of stock nearest the valuation date (June 15) occurred two trading days before (June 13) and three trading days after (June 18). On those days, the mean sale prices per share were $10 and $15, respectively. Therefore, the price of $12 is considered the FMV of a share of stock on the valuation date. If, however, on June 13 and 18, the mean sale prices per share were $15 and $10, respectively, the FMV of a share of stock on the valuation date is $13.

If only closing prices for bonds are available, see IRC Regulations §20.2031-2(b).

Apply the rules in IRC §2031 to determine the value of inactive stock and stock in close corporations. Send with the schedule complete financial and other data used to determine value, including balance sheets (particularly the one nearest to the valuation date) and statements of the net earnings or operating results and dividends paid for each of the five years immediately before the valuation date.

Securities reported as of no value, nominal value, or obsolete should be listed last. Include the address of the company and the state and date of the incorporation. Attach copies of correspondence or statements used to determine the "no value."

If the security was listed on more than one stock exchange, use either the records of the exchange where the security is principally traded or the composite listing of combined exchanges, if available, in a publication of general circulation. In valuing listed stocks and bonds, you should carefully check accurate records to obtain values for the applicable valuation date.

If you get quotations from brokers, or evidence of the sale of securities from the officers of the issuing companies, attach to the schedule copies of the documents furnishing these quotations or evidence of sale.

INSTRUCTIONS FOR SCHEDULE C - MORTGAGES, NOTES, AND CASH

Complete Schedule C and file it with your return if the total gross estate contains any:

- Mortgages;
- Notes; or
- Cash.

List on Schedule C:

- Mortgages and notes payable **to the decedent** at the time of death; and
- Cash the decedent had at the date of death.

Do not list on Schedule C:

- Mortgages and notes payable **by the decedent.** (If these are deductible, list them on Schedule K.)

List the items on Schedule C in the following order:

1. Mortgages;
2. Promissory notes;
3. Contracts by decedent to sell land;
4. Cash in possession; and
5. Cash in banks, savings and loan associations, brokerage accounts and other types of financial organizations.

<u>What to enter in the "Description" column:</u>

For mortgages, list:

- Face value;
- Unpaid balance;
- Date of mortgage;
- Date of maturity;
- Name of maker;
- Property mortgaged;
- Interest dates; and
- Interest rate.

Example to enter in "Description" column:

"Bond and mortgage of $50,000, unpaid balance: $24,000; dated: January 1, 1983; John Doe to Richard Roe; premises: 22 Clinton Street, Newark, NJ; due: January 1, 2008; interest payable at 10% a year--January 1 and July 1"

For promissory notes, list in the same way as mortgages.

For contracts by the decedent to sell land, list:

- Name of purchaser;
- Contract date;
- Property description;
- Sale price;
- Initial payment;
- Amounts of installment payment;
- Unpaid balance of principal; and
- Interest rate.

For cash in possession, list such cash separately from bank deposits.

For cash in banks, savings and loan associations, brokerage accounts and other types of financial organizations, list:

- Name and address of each financial organization;
- Amount in each account;
- Serial or account number;
- Nature of account - checking, savings, time deposit, etc.; and
- Unpaid interest accrued from date of last interest payment to the date of death.

Important: *Copies of financial statements may be requested by the Department during examination.*

INSTRUCTIONS FOR SCHEDULE D - INSURANCE ON THE DECEDENT'S LIFE

If there was any insurance on the decedent's life, whether or not included in the gross estate, you must complete Schedule D and file it with the return.

Insurance you must include on Schedule D. Under IRC §2042 you must include in the gross estate:

- Insurance on the decedent's life receivable by or for the benefit of the estate; and
- Insurance on the decedent's life receivable by beneficiaries other than the estate, as described below.

The term "insurance" refers to life insurance of every description, including death benefits paid by fraternal beneficiary societies operating under the lodge system, and death benefits paid under no-fault automobile insurance policies if the no-fault insurer was unconditionally bound to pay the benefit in the event of the insured's death.

Insurance in favor of the estate. Include on Schedule D the full amount of the proceeds of insurance on the life of the decedent receivable by the executor or otherwise payable to or for the benefit of the estate. Insurance in favor of the estate includes insurance used to pay the estate tax, and any other taxes, debts, or charges that are enforceable against the estate. The manner in which the policy is drawn is immaterial as long as there is an obligation, legally binding on the beneficiary, to use the proceeds to pay taxes, debts, or charges. You must include the full amount even though the premiums or other consideration may have been paid by a person other than the decedent.

Insurance receivable by beneficiaries other than the estate. Include on Schedule D the proceeds of all insurance on the life of the decedent not receivable by or for the benefit of the decedent's 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:

- The right of the insured or estate to its economic benefits;
- The power to change the beneficiary;
- The power to surrender or cancel the policy;
- The power to assign the policy or to revoke an assignment;
- The power to pledge the policy for a loan;
- The power to obtain from the insurer a loan against the surrender value of the policy; and
- A reversionary interest if the value of the reversionary interest was more than 5% of the value of the policy immediately before the decedent died. (An interest in an insurance policy is considered a reversionary interest if, for example, the proceeds become payable to the insured's estate or payable as the insured directs if the beneficiary dies before the insured).

Life insurance not includible in the gross estate under IRC §2042 may be includible under some other section of the IRC. For example, a life insurance policy could be transferred by the decedent in such a way that it would be includible in the gross estate under IRC §2036, §2037, or §2038. (See the instructions to Schedule G for a description of these sections of the IRC)

Completing the Schedule

You must list every policy of insurance on the life of the decedent, whether or not it is included in the gross estate.

Under "Description" list:

- Name of the insurance company; and
- Number of the policy.

For every policy of life insurance listed on the schedule, you must request a statement on **Federal Form 712,** Life Insurance Statement, from the company that issued the policy. Include a copy of the Federal Form 712 with the filing.

If the policy proceeds are paid in one sum, enter the net proceeds received (from Federal Form 712, Line 24) in the value (and alternate value) columns of Schedule D. If the policy proceeds are not paid in one sum, enter the value of the proceeds as of the date of the decedent's death (from Federal Form 712, Line 25).

If part or all of the policy proceeds are not included in the gross estate, you must explain why they were not included.

INSTRUCTIONS FOR SCHEDULE E - JOINTLY OWNED PROPERTY

You must complete Schedule E and file it with the return if the decedent owned any joint property at the time of death, whether or not the decedent's interest is includible in the gross estate.

Enter on this schedule all property of whatever kind or character, whether real estate, personal property, or bank accounts, in which the decedent held at the time of death an interest either as a joint tenant with right to survivorship or as a tenant by the entirety.

Do not list on this schedule property that the decedent held as a tenant in common, but report the value of the interest on Schedule A if real estate, or on the appropriate schedule if personal property. Similarly, community property held by the decedent and spouse should be reported on the appropriate Schedules A through I. The decedent's interest in a partnership should not be entered on this schedule unless the partnership interest itself is jointly owned. Solely owned partnership interests should be reported on Schedule F - Other Miscellaneous Property.

Part 1 - Qualified joint interests held by decedent and spouse. Under IRC §2040(b)(2), a joint interest is a qualified joint interest if the decedent and the surviving spouse held the interest as:

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

Interests that meet either of the two requirements above should be entered in Part 1. Joint interests that do not meet either of the two requirements above should be entered in Part 2.

Under "Description," describe the property as required in the instructions for Schedules A, B, C, and F for the type of property involved. For example, jointly held stocks and bonds should be described using the rules given in the instructions to Schedule B.

Under "Alternate Value" and "Value at Date of Death," enter the full value of the property.

Note: *You cannot claim the special treatment under IRC §2040(b) for property held jointly by a decedent and a surviving spouse who is not a U.S. citizen. You must report these joint interests on Part 2 of Schedule E, not Part 1.*

Part 2 - All other joint interests. All joint interests that were not entered in Part 1 must be entered in Part 2.

For each item of property, enter the appropriate letter A, B, C, etc., from Line 2a to indicate the name and address of the surviving co-tenant.

Under "Description," describe the property as required in the instructions for Schedules A, B, C, and F for the type of property involved.

In the "Percentage Includible" column, enter the percentage of the total value of the property that you intend to include in the gross estate.

Generally, you must include the full value of the jointly owned property in the gross estate. However, the full value should not be included if you can show that a part of the property originally belonged to the other tenant or tenants and was never received or acquired by the other tenant or tenants from the decedent for less than adequate and full consideration in money or money's worth, or unless you can show that any part of the property was acquired with consideration originally belonging to the surviving joint tenant or tenants. In this case, you may exclude from the value of the property an amount proportionate to the consideration furnished by the other tenant or tenants. Relinquishing or promising to relinquish dower, curtesy, or statutory estate created instead of dower or curtesy, or other marital rights in the decedent's property or estate is not consideration in money or money's worth. See the Schedule A instructions for the value to show for real property that is subject to a mortgage.

If the property was acquired by the decedent and another person or persons by gift, bequest, devise, or inheritance as joint tenants, and their interests are not otherwise specified by law, include only that part of the value of the property that is figured by dividing the full value of the property by the number of joint tenants.

If you believe that less than the full value of the entire property is includible in the gross estate for tax purposes, you must establish the right to include the smaller value by attaching proof of the extent, origin, and nature of the decedent's interest and the interest(s) of the decedent's co-tenant or co-tenants.

In the "Includible Alternate Value" and "Includible Value at Date of Death" columns, you should enter only the values that you believe are includible in the gross estate.

INSTRUCTIONS FOR SCHEDULE F - OTHER MISCELLANEOUS PROPERTY NOT REPORTABLE UNDER ANY OTHER SCHEDULE

You must complete Schedule F and file it with the return.

On Schedule F, list all items that must be included in the gross estate that are not reported on any other schedule, including:

- Debts due the decedent (other than notes and mortgages included on Schedule C);
- Interests in business;
- Insurance on the life of another (obtain and attach Federal Form 712, Life Insurance Statement, for each policy);

  Note for single premium or paid-up policies: *In certain situations, for example, where the surrender value of the policy exceeds its replacement cost the true economic value of the policy will be greater than the amount shown on line 59 of Federal Form 712. In these situations, you should report the full economic value of the policy on Schedule F See Rev. Ruling 78-137, 1978-1 C.B. 280 for details.*
- RCW 83.100.047 and/or IRC §2044 property (complete Addendum # 1 and see **Decedent Who Was a Surviving Spouse** below);
- Claims (including the value of the decedent's interest in a claim for refund of income taxes or the amount of the refund actually received);
- Rights;
- Royalties;
- Leaseholds;
- Judgments;
- Reversionary or remainder interests;
- Shares in trust funds (attach a copy of the trust instrument);
- Household goods and personal effects, including wearing apparel;
- Farm products and growing crops;
- Livestock;
- Farm machinery; and
- Automobiles.

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

You must account for goodwill in the valuation. In general, furnish the same information and follow the methods used to value close corporations. See the instructions for Schedule B.

All partnership interests should be reported on Schedule F unless the partnership interest, itself, is jointly owned. Jointly owned partnership interests should be reported on Schedule E.

If real estate is owned by the sole proprietorship, it should be reported on Schedule F and not on Schedule A. Describe the real estate with the same detail required for Schedule A.

Line 1. If the decedent owned at the date of death articles with artistic or intrinsic value (i.e., jewelry, furs, silverware, books, statuary, vases, oriental rugs, coin or stamp collections), check the "Yes" box on line 1 and provide full details. If any one article is valued at more than $3,000, or any collection of similar articles is valued at more than $10,000, attach an appraisal by an expert under oath and the required statement regarding the appraiser's qualifications (see IRC Regulations §20.2031-6(b)).

Decedent Who Was a Surviving Spouse

If the decedent was a surviving spouse, he or she may have received qualified terminable interest property (QTIP) from the predeceased spouse for which the marital deduction was

elected either on the predeceased spouse's estate tax return or on a gift tax return, Federal Form 709. The election was available for gifts made and decedents dying after December 31, 1981. List such property on Schedule F and complete Addendum # 1.

If this election was made and the surviving spouse retained his or her interest in the QTIP property at death, the full value of the QTIP property is includible in his or her estate, even though the qualifying income interest terminated at death. It is valued as of the date of the surviving spouse's death, or alternate valuation date, if applicable. Do not reduce the value by any annual exclusion that may have applied to the transfer creating the interest.

The value of such property included in the surviving spouse's gross estate is treated as passing from the surviving spouse. It therefore qualifies for the charitable and marital deductions on the surviving spouse's estate tax return if it meets the other requirements for those deductions.

For additional details, see IRC Regulations §20.2044-1.

INSTRUCTIONS FOR SCHEDULE G - TRANSFERS DURING DECEDENT'S LIFE

Complete Schedule G and file it with the return if the decedent made any of the transfers described in 1 through 5 below, or if you answered "Yes" on Line 11 of Part 4 - General Information.

Report the following types of transfers on this schedule.

Beginning with the estates of decedents dying after August 5, 1997:

IF...	AND...	THEN...
The decedent made a transfer from a trust	at the time of the transfer, the transfer was from a portion of the trust that was owned by the grantor under IRC §676 (other than by reason of IRC §672(e)) by reason of a power in the grantor,	for purposes of IRC §2035 and §2038, treat the transfer as made directly by the decedent. Any such transfer within the annual gift tax exclusion is not includible in the gross estate.

1. Certain gift taxes (IRC §2035(b))

Enter at Item A of the schedule the total value of the gift taxes that were paid or payable by the decedent or the estate on gifts made by the decedent or the decedent's spouse within three years before death.

The date of the gift, not the date of payment of the gift tax, determines whether a gift tax paid or payable is included in the gross estate under this rule. Therefore, you should carefully examine the Federal Forms 709 filed by the decedent and the decedent's spouse to determine what part of the total gift taxes reported on them was attributable to gifts made within three years before death.

For example, if the decedent died on July 10, 2014, you should examine gift tax returns for 2014, 2013, 2012, and 2011. However, the gift taxes on the 2011 return that are attributable to gifts made before July 10, 2011, are not included in the gross estate.

Attach an explanation of how you computed the includible gift taxes if you do not include in the gross estate the entire gift taxes shown on any Federal Form 709 filed for gifts made within three years of death. Also attach copies of any gift tax returns filed by the decedent's spouse for gifts made within three years of death.

2. Other transfers within three years before death (IRC §2035(a))

These transfers include only the following:

- Any transfer by the decedent with respect to a life insurance policy within three years before death; or
- Any transfer within three years before death of a retained IRC §2036 life estate, IRC §2037 reversionary interest, or IRC §2038 power to revoke, etc., if the property subject to the life estate, interest, or power would have been included in the gross estate had the decedent continued to possess the life estate, interest, or power until death.

These transfers are reported on Schedule G regardless of whether a gift tax return was required to be filed for them when they were made. However, the amount includible and the information required to be shown for the transfers are determined:

- For insurance on the life of the decedent using the instructions to Schedule D (Attach Federal Form 712);
- For insurance on the life of another using the instructions to Schedule F (Attach Federal Form 712); and
- For IRC §2036, §2037, and §2038 transfers, using paragraphs 3, 4, and 5 of these instructions.

3. Transfers with retained life estate (IRC §2036)

These are transfers by the decedent in which the decedent retained an interest in the transferred property. The transfer can be in trust or otherwise, but excludes bona fide sales for adequate and full consideration.

Interests or rights. IRC §2036 applies to the following retained interests or rights:

- The right to income from the transferred property;
- The right to the possession or enjoyment of the property; and
- The right, either alone or with any person, to designate the persons who shall receive the income from, or possess or enjoy, the property.

Retained voting rights. Transfers with a retained life estate also include transfers of stock in a "controlled corporation" after June 22, 1976, if the decedent retained or acquired voting rights in the stock. If the decedent retained direct or indirect voting rights in a controlled corporation, the decedent is considered to have retained enjoyment of the transferred property. A corporation is a "controlled corporation" if the decedent owned (actually or constructively) or had the right (either alone or with any other person) to vote at least 20% of the total combined voting power of all classes of stock. See IRC §2036(b). If these voting rights ceased or were relinquished within three years before the decedent's death, the corporate interests are included in the gross estate as if the decedent had actually retained the voting rights until death.

The amount includible in the gross estate is the value of the transferred property at the time of the decedent's death. If the decedent kept or reserved an interest or right to only a part of the transferred property, the amount includible in the gross estate is a corresponding part of the entire value of the property.

A retained life estate does not have to be legally enforceable. What matters is that a substantial economic benefit was retained. For example, if a mother transferred title to her home to her daughter but with the informal understanding that she was to continue living there until her death, the value of the home would be includible in the mother's estate even if the agreement would not have been legally enforceable.

4. Transfers taking effect at death (IRC §2037)

A transfer that takes effect at the decedent's death is one under which possession or enjoyment can be obtained only by surviving the decedent. A transfer is not treated as one that takes effect at the decedent's death unless the decedent retained a reversionary interest (defined below) in the property that immediately before the decedent's death had a value of more than 5% of the value of the transferred property. If the transfer was made before October 8, 1949, the reversionary interest must have arisen by the express terms of the instrument of transfer.

A "reversionary interest" is generally any right under which the transferred property will or may be returned to the decedent or the decedent's estate. It also includes the possibility that the transferred property may become subject to a power of disposition by the decedent. It does not matter if the right arises by the express terms of the instrument of transfer or by operation of law. For this purpose, reversionary interest does not include the possibility the income alone from the property may return to the decedent or become subject to the decedent's power of disposition.

5. Revocable transfers (IRC §2038)

The gross estate includes the value of transferred property in which the enjoyment of the transferred property was subject at decedent's death to any change through the exercise of a power to alter, amend, revoke, or terminate. A decedent's power to change the beneficiaries and to hasten or increase any beneficiary's enjoyment of the property is an example of this.

It does not matter whether the power was reserved at the time of the transfer, whether it arose by operation of law, or was later created or conferred. The rule applies regardless of the source from which the power was acquired and regardless of whether the power was exercisable by the decedent alone or with any person (and regardless of whether that person had a substantial adverse interest in the transferred property).

The capacity in which the decedent could use a power has no bearing. If the decedent gave property in trust and was the trustee with the power to revoke the trust, the property would be included in his or her gross estate. For transfers or additions to an irrevocable trust after October 28, 1979, the transferred property is includible if the decedent reserved the power to remove the trustee at will and appoint another trustee.

If the decedent relinquished within three years before death any of the includible powers described above, figure the gross estate as if the decedent had actually retained the powers until death.

Only the part of the transferred property that is subject to the decedent's power is included in the gross estate.

Special Valuation Rules for Certain Lifetime Transfers

IRC §§2701-2704 provide rules for valuing certain transfers to family members.

IRC §2701 deals with the transfer of an interest in a corporation or partnership while retaining certain distribution rights, or a liquidation, put, call, or conversion right.

IRC §2702 deals with the transfer of an interest in a trust while retaining any interest other than a qualified interest. In general, a qualified interest is a right to receive certain distributions from the trust at least annually, or a non-contingent remainder interest if all of the other interests in the trust are distribution rights specified in IRC §2702.

IRC §2703 provides rules for the valuation of property transferred to a family member but subject to an option, agreement, or other right to acquire or use the property at less than FMV. It also applies to transfers subject to restrictions on the right to sell or use the property.

Finally, IRC §2704 provides that in certain cases the lapse of a voting or liquidation right in a family-owned corporation or partnership will result in a deemed transfer.

These rules have potential consequences for the valuation of property in an estate. If the decedent (or any member of his or her family) was involved in any such transactions, see IRC §§2701 through 2704 and the related Regulations for additional details.

How to Complete Schedule G

All transfers (other than outright transfers not in trust and bona fide sales) made by the decedent at any time during life must be reported on the schedule regardless of whether you believe the transfers are subject to tax. If the decedent made any transfers not described in the instructions above, the transfers should not be shown on Schedule G. Instead, attach a statement describing these transfers: list the date of the transfer, the amount or value of the transferred property, and the type of transfer.

Complete the schedule for each transfer that is included in the gross estate under IRC §§2035(a), 2036, 2037, and 2038 as described in the Instructions for Schedule G above.

In the "Item number" column, number each transfer consecutively beginning with 1. In the "Description" column, list the name of the transferee, the date of the transfer, and give a complete description of the property. Transfers included in the gross estate should be valued on the date of the decedent's death or, if alternate valuation is adopted, according to IRC §2032.

If only part of the property transferred meets the terms of IRC §§2035(a), 2036, 2037, or 2038, then only a corresponding part of the value of the property should be included in the value of the gross estate. If the transferee makes additions or improvements to the property, the increased value of the property at the valuation date should not be included on Schedule G. However, if only a part of the value of the property is included, enter the value of the whole under the column headed "Description" and explain what part was included.

Attachments. If a transfer, by trust or otherwise, was made by a written instrument, attach a copy of the instrument to the Schedule G. If the copy of instrument is of public record, it should be certified; if not of public record, the copy should be verified.

INSTRUCTIONS FOR SCHEDULE H - POWERS OF APPOINTMENT

Complete Schedule H and file it with the return if you answered "Yes" on Line 13 of Part 4 - General Information.

On Schedule H, include in the gross estate:

- The value of property for which the decedent possessed a general power of appointment (defined below) on the date of his or her death; and
- The value of property for which the decedent possessed a general power of appointment that he or she exercised or released before death by disposing of it in such a way that if it were a transfer of property owned by the decedent, the property would be includible in the decedent's gross estate as a transfer with a retained life estate, a transfer taking effect at death, or a revocable transfer.

With the above exceptions, property subject to a power of appointment is not includible in the gross estate if the decedent released the power completely and the decedent held no interest in or control over the property.

If the failure to exercise a general power of appointment results in a lapse of the power, the lapse is treated as a release only to the extent that the value of the property that could have been appointed by the exercise of the lapsed power is more than the greater of $5,000 or 5% of the total value, at the time of the lapse, of the assets out of which, or the proceeds of which, the exercise of the lapsed power could have been satisfied.

Powers of Appointment

A power of appointment determines who will own or enjoy the property subject to the power and when they will own or enjoy it. The power must be created by someone other than the decedent. It does not include a power created or held on property transferred by the decedent.

A power of appointment includes all powers which are in substance and effect powers of appointment regardless of how they are identified and regardless of local property laws. For example, if a settlor transfers property in trust for the life of his wife, with a power in the wife to appropriate or consume the principal of the trust, the wife has a power of appointment.

Some powers do not in themselves constitute a power of appointment. For example, a power to amend only administrative provisions of a trust that cannot substantially affect the beneficial enjoyment of the trust property or income is not a power of appointment. A power to manage, invest, or control assets, or to allocate receipts and disbursements, when exercised only in a fiduciary capacity, is not a power of appointment.

General power of appointment. A general power of appointment is a power that is exercisable in favor of the decedent, the decedent's estate, the decedent's creditors, or the creditors of the decedent's estate, **except:**

1. A power to consume, invade, or appropriate property for the benefit of the decedent that is limited by an ascertainable standard relating to health, education, support, or maintenance of the decedent; or
2. A power exercisable by the decedent only in conjunction with:
   a. The creator of the power; or
   b. A person who has a substantial interest in the property subject to the power, which is adverse to the exercise of the power in favor of the decedent.

A part of a power is considered a general power of appointment if the power:

1. May only be exercised by the decedent in conjunction with another person; and
2. Is also exercisable in favor of the other person (in addition to being exercisable in favor of the decedent, the decedent's creditors, the decedent's estate, or the creditors of the decedent's estate).

The part to include in the gross estate as a general power of appointment is figured by dividing the value of the property by the number of persons (including the decedent) in favor of whom the power is exercisable.

Date power was created. Generally, a power of appointment created by will is considered created on the date of the testator's death.

A power of appointment created by an inter vivos instrument is considered created on the date the instrument takes effect. If the holder of a power exercises it by creating a second power, the second power is considered as created at the time of the exercise of the first.

Attachments. If the decedent ever possessed a power of appointment, attach a certified or verified copy of the instrument granting the power and a certified or verified copy of any instrument by which the power was exercised or released. You must file these copies even if you contend that the power was not a general power of appointment, and that the property is not otherwise includible in the gross estate.

INSTRUCTIONS FOR SCHEDULE I - ANNUITIES

You must complete Schedule I and file it with the return if you answered "Yes" on Line 15 of Part 4 - General Information.

Enter on Schedule I every annuity that meets all of the conditions under **General**, below, and every annuity described in paragraphs a-h of **Annuities Under Approved Plans**, even if the annuities are wholly or partially excluded from the gross estate.

See the instructions for Line 3 of Schedule M for a discussion regarding the QTIP treatment of certain joint and survivor annuities.

General

In general, you must include in the gross estate all or part of the value of any annuity that meets the following requirements:

- It is receivable by a beneficiary following the death of the decedent and by reason of surviving the decedent;
- The annuity is under a contract or agreement entered into after March 3, 1931;
- The annuity was payable to the decedent (or the decedent possessed the right to receive the annuity) either alone or in conjunction with another, for the decedent's life or for any period not ascertainable without reference to the decedent's death or for any period that did not in fact end before the decedent's death; and
- The contract or agreement is not a policy of insurance on the life of the decedent.

These rules apply to all types of annuities, including pension plans, individual retirement arrangements, and purchased commercial annuities.

An annuity contract that provides periodic payments to a person for life and ceases at the person's death is not includible in the gross estate. Social Security benefits are not includible in the gross estate even if the surviving spouse receives benefits.

An annuity or other payment that is not includible in the decedent's or the survivor's gross estate as an annuity may still be includible under some other applicable provision of the law. For example, see **Powers of Appointment** above.

If the decedent retired before January 1, 1985, see **Annuities Under Approved Plans** below for rules that allow the exclusion of part or all of certain annuities.

Part Includible

If the decedent contributed only part of the purchase price of the contract or agreement, include in the gross estate only that part of the value of the annuity receivable by the surviving beneficiary that the decedent's contribution to the purchase price of the annuity or agreement bears to the total purchase price.

For example, if the value of the survivor's annuity was $20,000 and the decedent had contributed three-fourths of the purchase price of the contract, the amount includible is $15,000 (3/4 x $20,000).

Except as provided under **Annuities Under Approved Plans,** contributions made by the decedent's employer to the purchase price of the contract or agreement are considered made by the decedent if they were made by the employer because of the decedent's employment. For more information, see IRC §2039.

Definitions

Annuity. The term “annuity” includes one or more payments extending over any period of time. The payments may be equal or unequal, conditional or unconditional, periodic or sporadic.

Examples. The following are examples of contracts (but not necessarily the only forms of contracts) for annuities that must be included in the gross estate.

1. A contract under which the decedent immediately before death was receiving or was entitled to receive, for the duration of life, an annuity with payments to continue after death to a designated beneficiary, if surviving the decedent.
2. A contract under which the decedent immediately before death was receiving or was entitled to receive, together with another person, an annuity payable to the decedent and the other person for their joint lives, with payments to continue to the survivor following the death of either.
3. A contract or agreement entered into by the decedent and employer under which the decedent immediately before death and following retirement was receiving, or was entitled to receive, an annuity payable to the decedent for life and after the decedent's death to a designated beneficiary, if surviving the decedent, whether the payments after the decedent's death are fixed by the contract or subject to an option or election exercised or exercisable by the decedent. However, see **Annuities Under Approved Plans,** below.
4. A contract or agreement entered into by the decedent and the decedent's employer under which at the decedent's death, before retirement, or before the expiration of a stated period of time, an annuity was payable to a designated beneficiary, if surviving the decedent. However, see **Annuities Under Approved Plans** below.
5. A contract or agreement under which the decedent immediately before death was receiving, or was entitled to receive, an annuity for a stated period of time, with the annuity to continue to a designated beneficiary, surviving the decedent, upon the decedent’s death and before the expiration of that period of time.
6. An annuity contract or other arrangement providing for a series of substantially equal periodic payments to be made to a beneficiary for life or over a period of at least 36 months after the date of the decedent’s death under an individual retirement account, annuity, or bond as described in IRC §2039(e) (before its repeal by P.L. 98-369).

Payable to the decedent. An annuity or other payment **was payable** to the decedent if, at the time of death, the decedent was in fact receiving an annuity or other payment, with or without an enforceable right to have the payments continued.

Right to receive an annuity. The decedent had the **right to receive** an annuity or other payment if, immediately before death, the decedent had an enforceable right to receive payments at some time in the future, whether or not at the time of death the decedent had a present right to receive payments.

Annuities Under Approved Plans

The following rules relate to whether part or all of an otherwise includible annuity may be excluded. These rules have been repealed and apply only if the decedent either:

1. On December 31, 1984, was both a participant in the plan and in pay status (i.e., had received at least one benefit payment on or before December 31, 1984), and had irrevocably elected the form of the benefit before July 18, 1984; or
2. Had separated from service before January 1, 1985, and did not change the form of benefit before death.

The amount excluded cannot exceed $100,000 unless either of the following conditions is met:

1. On December 31, 1982, the decedent was both a participant in the plan and in pay status (i.e., had received at least one benefit payment on or before December 31, 1982), and the decedent irrevocably elected the form of the benefit before January 1, 1983; or
2. The decedent separated from service before January 1, 1983, and did not change the form of benefit before death.

Approved Plans

Approved plans may be separated into two categories:

- Pension, profit-sharing, stock bonus, and other similar plans; and
- Individual retirement arrangements (IRAs), and retirement bonds.

Different exclusion rules apply to the two categories of plans.

Pension, etc., plans. The following plans are approved plans for the exclusion rules:

a. An employees’ trust (or under a contract purchased by an employees’ trust) forming part of a pension, stock bonus, or profit-sharing plan that met all the requirements of IRC §401(a), either at the time of the decedent’s separation from employment (whether by death or otherwise) or at the time of the termination of the plan (if earlier);

b. A retirement annuity contract purchased by the employer (but not by an employees’ trust) under a plan that, at the time of the decedent’s separation from employment (by death or otherwise), or at the time of the termination of the plan (if earlier), was a plan described in IRC §403(a);

c. A retirement annuity contract purchased for an employee by an employer that is an organization referred to in IRC §170(b)(1)(A)(ii) or (vi), or that is a religious organization (other than a trust), and that is exempt from tax under IRC §501(a);

d. Chapter 73 of Title 10 of the United States Code; or

e. A bond purchase plan described in IRC §405 (before its repeal by P.L. 98-369, effective for obligations issued after December 31, 1983).

Exclusion rules for pension, etc., plans. If an annuity under an "approved plan" described in a-e above is receivable by a beneficiary other than the executor and the decedent made no contributions under the plan toward the cost, no part of the value of the annuity, subject to the $100,000 limitation (if applicable), is includible in the gross estate.

If the decedent made a contribution under a plan described in a-e above toward the cost, include in the gross estate on this schedule that proportion of the value of the annuity which the amount of the decedent's contribution under the plan bears to the total amount of all contributions under the plan. The remaining value of the annuity is excludable from the gross estate subject to the $100,000 limitation (if applicable). For the rules to determine whether the decedent made contributions to the plan, see IRC Regulations §20.2039.

IRAs and retirement bonds. The following plans are approved plans for the exclusion rules:

f. An individual retirement account described in IRC §408(a);

g. An individual retirement annuity described in IRC §408(b); or

h. A retirement bond described in IRC §409(a) (before its repeal by P.L. 98-369).

Exclusion rules for IRAs and retirement bonds. These plans are approved plans only if they provide for a series of substantially equal periodic payments made to a beneficiary for life, or over a period of at least 36 months after the date of the decedent's death.

Subject to the $100,000 limitation, if applicable, if an annuity under a "plan" described in f-h above is receivable by a beneficiary other than the executor, the entire value of the annuity is excludable from the gross estate even if the decedent made a contribution under the plan.

However, if any payment to or for an account or annuity described in f-h above was not allowable as an income tax deduction under IRC §219 (and was not a rollover contribution as described in IRC §2039(e) before its repeal by P.L. 98-369), include in the gross estate on this schedule that proportion of the value of the annuity which the amount not allowable as a deduction under IRC §219 and not a rollover contribution bears to the total amount paid to or for such account or annuity. For more information, see IRC Regulations §20.2039-5.

Rules applicable to all approved plans. The following rules apply to all approved plans described in a-h above.

If any part of an annuity under a "plan" described in a-h above is receivable by the executor, it is generally includible in the gross estate on this schedule to the extent that it is receivable by the executor in that capacity. In general, the annuity is receivable by the executor if it is to be paid to the executor or if there is an agreement (expressed or implied) that it will be applied by the beneficiary for the benefit of the estate (such as in discharge of the estate's liability for death taxes or debts of the decedent, etc.) or that its distribution will be governed to any extent by the terms of the decedent's will or the laws of descent and distribution.

If data available to you does not indicate whether the plan satisfies the requirements of IRC §§401(a), 403(a), 408(a), 408(b), or 409(a), you may obtain that information from the District Director of Internal Revenue for the district where the employer's principal place of business is located.

Line A - Lump Sum Distribution Election

The election pertaining to the lump sum distribution from qualified plans (approved plans) excludes from the gross estate all or part of the lump sum distribution that would otherwise be includible. When the recipient makes the election to take a lump sum distribution and include it in his or her income tax, the amount excluded from the gross estate is the portion attributable to the employer contributions. The portion, if any, attributable to the employee-decedents contributions is always includible. The actual election is made by the recipient of the distribution by taking the lump sum distribution and by treating it as taxable on his or her income tax return as described in IRC Regulations §20.2039-4(d). The election is irrevocable. However, you may not compute the gross estate in accordance with this election unless you check "Yes" on Line A and attach the name, address, and identifying number of the recipients of the lump sum distributions. See IRC Regulations §20.2039-4.

How to Complete Schedule I

In describing an annuity, give the name and address of the grantor of the annuity. Specify if the annuity is under an approved plan.

IF...	THEN...
The annuity is under an approved plan,	state the ratio of the decedent's contribution to the total purchase price of the annuity.
The decedent was employed at the time of death and an annuity as described in Definitions, Annuity, Example 4, became payable to any beneficiary because the beneficiary survived the decedent,	state the ratio of the decedent's contribution to the total purchase price of the annuity.
An annuity under an individual retirement account or annuity became payable to any beneficiary because that beneficiary survived the decedent and is payable to the beneficiary for life or at least 36 months following the decedent's death,	state the ratio of the amount paid for the individual retirement account or annuity that was not allowable as an income tax deduction under IRC §219 (other than a rollover contribution) to the total amount paid for the account or annuity.
The annuity is payable out of a trust or other fund,	the description should be sufficiently complete to fully identify it.
The annuity is payable for a term of years,	include the duration of the term and the date on which it began.
The annuity is payable for the life of a person other than the decedent,	include the date of birth of that person.
The annuity is wholly or partially excluded from the gross estate,	enter the amount excluded under "Description" and explain how you computed the exclusion.

INSTRUCTIONS FOR SCHEDULE J - FUNERAL EXPENSES AND EXPENSES INCURRED IN ADMINISTERING PROPERTY SUBJECT TO CLAIMS

General. You must complete and file Schedule J if you claim a deduction on Item 13 of Part 5 - Recapitulation.

On Schedule J, itemize funeral expenses and expenses incurred in administering property subject to claims. List the names and addresses of persons to whom the expenses are payable and describe the nature of the expense.

Do not list expenses incurred in administering property not subject to claims on this schedule. List them on Schedule L instead.

The deduction is limited to the amount paid for these expenses that is allowable under local law but may not exceed:

1. The value of property subject to claims included in the gross estate; plus
2. The amount paid out of property included in the gross estate but not subject to claims. This amount must actually be paid by the due date of the estate tax return.

The applicable local law under which the estate is being administered determines which property is and is not subject to claims. If under local law a particular property interest included in the gross estate would bear the burden for the payment of the expenses, then the property is considered property subject to claims.

Funeral expenses. Itemize funeral expenses under Part A. Deduct from the expenses any amounts that were reimbursed, such as death benefits payable by the Social Security Administration and the Veterans Administration. **Note:** *Funeral expenses should be reduced by 50% for a married decedent. You must show the one-half reduction.*

Executors' commissions. When you file the return, you may deduct commissions that have actually been paid to you or that you expect will be paid. You may not deduct commissions if none will be collected. If the amount of the commissions has not been fixed by decree of the proper court, the deduction will be allowed on the final examination of the return, provided that:

- The Department is reasonably satisfied that the commissions claimed will be paid;
- The amount entered as a deduction is within the amount allowable by the laws of the jurisdiction where the estate is being administered; and
- It is in accordance with the usually accepted practice in that jurisdiction for estates of similar size and character.

If you have not been paid the commissions claimed at the time of the final examination of the return, you must support the amount you deducted with an affidavit or statement signed under the penalties of perjury that the amount has been agreed upon and will be paid.

You may not deduct a bequest or devise made to you instead of commissions. If, however, the decedent fixed by will the compensation payable to you for services to be rendered in the administration of the estate, you may deduct this amount to the extent it is not more than the compensation allowable by the local law or practice

.

Do not deduct on this schedule amounts paid as trustees' commissions whether received by you acting in the capacity of a trustee or by a separate trustee. If such amounts were paid in administering property not subject to claims, deduct them on Schedule L.

Attorney fees. Enter the amount of attorney fees that have actually been paid or that you reasonably expect to be paid. If on the final examination of the return the fees claimed have not been awarded by the proper court and paid, the deduction will be allowed provided the Department is reasonably satisfied that the amount claimed will be paid and that it does not exceed a reasonable payment for the services performed, taking into account the size and character of the estate and the local law and practice. If the fees claimed have not been paid at the time of final examination of the return, the amount deducted must be supported by an affidavit, or statement signed under the penalties of perjury, by the executor or the attorney stating that the amount has been agreed upon and will be paid.

Do not deduct attorney fees incidental to litigation incurred by the beneficiaries. These expenses are charged against the beneficiaries personally and are not administration expenses authorized by statute.

Interest expense. Interest expenses incurred after the decedent's death are generally allowed as a deduction if they are reasonable, necessary to the administration of the estate, and allowable under local law.

Interest incurred as the result of a federal estate tax deficiency is a deductible administrative expense. Penalties are not deductible even if they are allowable under local law.

Note: *If you elect to pay the tax in installments under IRC §6166, you may not deduct the interest payable on the installments.*

Miscellaneous expenses. Miscellaneous administration expenses necessarily incurred in preserving and distributing the estate are deductible. These expenses include appraisers and accountants fees, certain court costs, and costs of storing or maintaining assets of the estate.

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

RCW 83.100.047 (2). Amounts deducted for federal income tax purposes under IRC §642(g), may not be deducted on this schedule.

INSTRUCTIONS FOR SCHEDULE K - DEBTS OF THE DECEDENT, AND MORTGAGES AND LIENS

You must complete and attach Schedule K if you claimed deductions on either Item 14 or Item 15 of Part 5 - Recapitulation.

Debts of the Decedent

List under "Debts of the Decedent" only valid debts the decedent owed at the time of death. List any indebtedness secured by a mortgage or other lien on property of the gross estate under the heading "Mortgages and Liens." If the amount of the debt is disputed or the subject of litigation, deduct only the amount the estate concedes to be a valid claim. Enter the amount in contest in the column provided.

Generally, if the claim against the estate is based on a promise or agreement, the deduction is limited to the extent that the liability was contracted bona fide and for an adequate and full consideration in money or money's worth. However, any

enforceable claim based on 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 that the deduction would be allowed as a bequest under the statute that applies.

Certain claims of a former spouse against the estate based on the relinquishment of marital rights are deductible on Schedule K. For these claims to be deductible, all of the following conditions must be met:

- The decedent and the decedent's spouse must have entered into a written agreement relative to their marital and property rights;
- The decedent and the spouse must have been divorced before the decedent's death and the divorce must have occurred within the three-year period beginning on the date one year before the agreement was entered into. It is not required that the agreement be approved by the divorce decree; and
- The property or interest transferred under the agreement must be transferred to the decedent's spouse in settlement of the spouse's marital rights.

You may not deduct a claim made against the estate by a remainderman relating to IRC §2044 property. IRC §2044 property is described in the instructions to Line 6 of Part 4 - General Information.

Include in this schedule notes unsecured by mortgage or other lien and give full details; including name of payee, face and unpaid balance, date and term of note, interest rate, and date to which interest was paid before death. Include the exact nature of the claim as well as the name of the creditor. If the claim is for services performed over a period of time, state the period covered by the claim. Example: Puget Sound Energy Co., for electric service during February 2013, $150.

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 you reported the property. If the claim represents a joint and separate liability, give full facts and explain the financial responsibility of the co-obligor.

Property and Income Taxes. The deduction for property taxes is limited to the taxes accrued before the date of the decedent's death. Federal taxes on income received during the decedent's lifetime are deductible, but taxes on income received after death are not deductible.

Keep all vouchers or original records for inspection by the Department of Revenue.

Mortgages and Liens

List under "Mortgages and Liens" only obligations secured by mortgages or other liens on property that you included in the gross estate at its full value or at a value that was undiminished by the amount of the mortgage or lien. If the debt is enforceable against other property of the estate not subject to the mortgage or lien, or if the decedent was personally liable for the debt, you must include the full value of the property subject to the mortgage or lien in the gross estate under the appropriate schedule and may deduct the mortgage or lien on the property on this schedule.

However, if the decedent's estate is not liable, include in the gross estate only the value of the equity of redemption (or the value of the property less the amount of the debt), and do not deduct any portion of the indebtedness on this schedule.

Notes and other obligations secured by the deposit of collateral, such as stocks, bonds, etc., also should be listed under "Mortgages and Liens."

Description

Include under the "Description" column the particular schedule and item number where the property subject to the mortgage or lien is reported in the gross estate.

Include the name and address of the mortgage, payee, or obligee, and the date and term of the mortgage, note, or other agreement by which the debt was established. Also include the face amount, the unpaid balance, the rate of interest, and date to which the interest was paid before the decedent's death.

INSTRUCTIONS FOR SCHEDULE L - NET LOSSES DURING ADMINISTRATION AND EXPENSES INCURRED IN ADMINISTERING PROPERTY NOT SUBJECT TO CLAIMS

You must complete Schedule L and file it with the return if you claim deductions on either Item 18 or Item 19 of Part 5 - Recapitulation.

Net Losses During Administration

You may deduct only those losses from thefts, fires, storms, shipwrecks, or other casualties that occurred during the settlement of the estate. You may deduct only the amount not reimbursed by insurance or otherwise.

Describe in detail the loss sustained and the cause. If you received insurance or other compensation for the loss, state the amount collected. Identify the property for which you are claiming the loss by indicating the particular schedule and item number where the property is included in the gross estate.

If you elect alternate valuation, do not deduct the amount by which you reduced the value of an item to include it in the gross estate.

Do not deduct losses claimed as a deduction on a federal income tax return or depreciation in the value of securities or other property.

Expenses Incurred in Administering Property Not Subject To Claims

You may deduct expenses incurred in administering property that is included in the gross estate but that is not subject to claims. You may only deduct these expenses if they were paid before IRC §6501 period of limitations for assessment expired.

The expenses deductible on this schedule are usually expenses incurred in the administration of a trust established by the decedent before death. They may also be incurred in the collection of other assets or the transfer or clearance of title to other property included in the decedent's gross estate for estate tax purposes, but not included in the decedent's probate estate.

The expenses deductible on this schedule are limited to those that are the result of settling the decedent's interest in the property or of vesting good title to the property in the beneficiaries. Expenses incurred on behalf of the transferees (except those described above) are not deductible. Examples of deductible and nondeductible expenses are provided in IRC Regulations §20.2053-8.

List the names and addresses of the persons to whom each expense was payable and the nature of the expense. Identify the property for which the expense was incurred by indicating the schedule and item number where the property is included in the gross estate. If you do not know the exact amount of the expense, you may deduct an estimate, provided that the amount may be verified with reasonable certainty and will be paid before the period of limitations for assessment (referred to above) expires. Keep all vouchers and receipts for examination by the Department of Revenue.

INSTRUCTIONS FOR SCHEDULE M - BEQUESTS, ETC., TO SURVIVING SPOUSE (MARITAL DEDUCTION)

General

You must complete Schedule M and file it with the return if you claim a deduction on Item 20 of Part 5 - Recapitulation. The marital deduction is authorized by IRC §2056 for certain property interests that pass from the decedent to the surviving spouse. You may claim the deduction only for property interests that are included in the decedent's gross estate (Schedules A through I).

Note: *The marital deduction is generally not allowed if the surviving spouse is not a U.S. citizen. The marital deduction is allowed for property passing to such a surviving spouse in a "qualified domestic trust" or if such property is transferred or irrevocably assigned to such a trust before the estate tax return is filed. The executor must elect qualified domestic trust status on this return. See the instructions that follow, and on Schedule M, for details on the election.*

Property Interests That You May List on Schedule M

Generally, you may list on Schedule M all property interests that pass from the decedent to the surviving spouse and are included in the gross estate. However, you should not list any "Nondeductible terminable interest" (described below) on Schedule M unless you are making a QTIP election. The property for which you make this election must be included on Schedule M. See "Qualified terminable interest property" below.

For the rules on common disaster and survival for a limited period, see IRC §2056(b)(3).

You may list on Schedule M only those interests that 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;
3. As an appointee under the decedent's exercise of a power or as a taker in default at the decedent's non-exercise of a power;
4. As a beneficiary of insurance on the decedent's life;
5. As the surviving spouse taking under dower or curtesy (or similar statutory interest); and
6. As a transferee of a transfer made by the decedent at any time.

Property Interests That you may not List on Schedule M

You should not list on Schedule M:

1. The value of any property that does not pass from the decedent to the surviving spouse;
2. Property interests that are not included in the decedent's gross estate;
3. The full value of a property interest for which a deduction was claimed on Schedules J through L. 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. Nondeductible terminable interests (described below); or
6. Any property interest disclaimed by the surviving spouse.

Terminable Interests

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 nonoccurrence of some contingency. Examples are: life estates, annuities, estates 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 a terminable interest.

Nondeductible terminable interests. A terminable interest is nondeductible, and should not be entered on Schedule M (unless you are making a QTIP election) if:

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.

This rule applies even though the interest that passes 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.

Property interests that are considered to pass to a person other than the surviving spouse are any property interest that: (a) passes under a decedent's will or intestacy; (b) was transferred by a decedent during life; or (c) is held by or passed on to any person as a decedent's joint tenant, as appointee under a decedent's exercise of a power, as taker in default at a decedent's release or non-exercise of a power, or as a beneficiary of insurance on the decedent's life.

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 because it will terminate at her death and the children will thereafter possess or enjoy the property.

However, if the 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 that it is included in the gross estate, qualifies for the marital deduction 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 that the decedent directed the executor or a trustee to convert, after death, 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 exceptions described below for life estate and life insurance and annuity payments with powers of appointment. For more information, see IRC Regulations §§20.2056(b)-1(f) and 20.2056(b)-1(g), Example (7).

If any property interest passing from the decedent to the surviving spouse may be paid or otherwise satisfied out of any of a group of assets, the value of the property interest is, for the entry on Schedule M, reduced by the value of any asset or assets that, if passing from the decedent to the surviving spouse, would be nondeductible terminable interests.

Examples 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.

Example: A decedent bequeathed $100,000 to the surviving spouse. The general estate includes a term for years (valued at $10,000 in determining the value of the gross estate) in an office building, which interest was retained by the decedent under a deed of the building by gift to a son. Accordingly, the value of the specific bequest entered on Schedule M is $90,000.

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 will not be treated as a nondeductible terminable interest if: (a) the surviving spouse is entitled for life to all of the income from the entire interest; (b) the income is payable annually or at more frequent intervals; (c) 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; (d) the power is exercisable by the surviving spouse alone and (whether exercisable by will or during life) is exercisable by the surviving spouse in all events; and (e) 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 (or the surviving spouse's legal representative or relative if the surviving spouse is disabled. See Rev. Ruling 85-35, 1985- 1 C.B. 328). If these five conditions are satisfied only for a specific portion of the entire interest, see the IRC §2056(b) Regulations to determine the amount of 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 will not be treated as a nondeductible terminable interest if: (a) the surviving spouse is entitled to receive the proceeds in installments, or is entitled to interest on them, with all amounts payable during the life of the spouse, payable only to the surviving spouse; (b) the installment or interest payments are payable annually, or more frequently, beginning not later than 13 months after the decedent's death; (c) 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; (d) the power is exercisable by the surviving spouse alone and (whether exercisable by will or during life) is exercisable by the surviving spouse in all events; and (e) 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 IRC §2056(b) to determine the amount of the marital deduction.

Charitable remainder trusts. An interest in a charitable remainder trust will not be treated as a nondeductible 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 IRC §170(c).

A "charitable remainder trust" is either a charitable remainder annuity trust or a charitable remainder unitrust. (See IRC §664 for descriptions of these trusts.)

Election to Deduct Qualified Terminable Interest Property (QTIP)

You may elect to claim a marital deduction for qualified terminable interest property or property interests. You make the QTIP election by listing the qualified terminable interest property on Schedule M, Section A, 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. You must complete Addendum # 1 to verify the election and the amount of QTIP.**

If you file a Washington State Estate and Transfer Tax return in which you do not make this election, you may not file an amended return to make the election unless you file the amended return on or before the due date for filing the original return.

The effect of the election is that the property (interest) will be treated as passing to the surviving spouse and will not be treated as a nondeductible terminable interest. All of the other marital deduction requirements must still be satisfied before you may make this election. For example, you may not make this election for property or property interests that are not included in the decedent's gross estate.

Qualified terminable interest property. Qualified terminable interest is property (a) that passes from the decedent, and (b) in which the surviving spouse has a qualifying income interest for life.

The surviving spouse has a *qualifying income interest for life* if the surviving spouse is entitled to all of the income from the property payable annually or at more frequent intervals, or has a usufruct interest for life in the property, and during the surviving spouse's lifetime no person has a power to appoint any part of the property to any person other than the surviving spouse. An annuity is treated as an income interest regardless of whether the property from which the annuity is payable can be separately identified.

Amendments to IRC Regulations §§20.2044-1, 20.2056(b)-7 and 20.2056(b)-10 clarify that an interest in property is eligible for QTIP treatment if the income interest is contingent upon the executor's election even if that portion of the property for which no election is made will pass to or for the benefit of beneficiaries other than the surviving spouse.

The QTIP election may be made for all or any part of qualified terminable interest property. A partial election must relate to a fractional or percentile share of the property so that the elective part will reflect its proportionate share of the increase or decline in the whole of the property when applying IRC §§2044 or 2519. Thus, if the interest of the surviving spouse in a trust (or other property in which the spouse has a qualified life estate) is qualified terminable interest property, you may make an election for a part of the trust (or other property) only if the election relates to a defined fraction or percentage of the entire trust (or other property). The fraction or percentage may be defined by means of a formula.

Qualified Domestic Trust Election (QDOT)

The marital deduction is allowed for transfers to a surviving spouse who is not a U.S. citizen only if the property passes to the surviving spouse in a "qualified domestic trust" (QDOT) or if such property is transferred or irrevocably assigned to a QDOT before the decedent's estate tax return is filed.

A QDOT is any trust:

1. That requires at least one trustee to be either an individual who is a citizen of the United States or a domestic corporation;
2. That requires that no distribution of corpus from the trust can be made unless such a trustee has the right to withhold from the distribution the tax imposed on the QDOT;
3. That meets the requirements of any applicable IRC Regulations; and
4. For which the executor has made an election on the estate tax return of the decedent.

Note: *For trusts created by an instrument executed before November 5, 1990, items 1 and 2 above will be treated as met if the trust instrument requires that all trustees be individuals who are citizens of the United States or domestic corporations.*

You make the QDOT election by listing the qualified domestic trust or the **entire value** of the trust property on Schedule M, Section A and deducting its value. You are presumed to have made the QDOT election if you list the trust or trust property and deduct its value on Schedule M. **Once made, the election is irrevocable. You must complete Addendum # 1 to verify the election and the amount of QDOT.**

If an election is made to deduct qualified domestic trust property under IRC §2056A(d), the following information should be provided for each qualified domestic trust on an attachment to this schedule:

1. The name and address of every trustee;
2. A description of each transfer passing from the decedent that is the source of the property to be placed in trust; and
3. The FEIN for the trust.

The election must be made for an entire QDOT trust. In listing a trust for which you are making a QDOT election, unless you specifically identify the trust as not subject to the election, the election will be considered made for the entire trust.

The determination of whether a trust qualifies as a QDOT will be made as of the date the decedent's return is filed. If, however, judicial proceedings are brought before the return due date (including extensions) to have the trust revised to meet the QDOT requirements, then the determination will not be made until the court-ordered changes to the trust are made.

Line 1

If property passes to the surviving spouse as the result of a qualified disclaimer, check "Yes" and attach a copy of the written disclaimer required by IRC §2518(b),

Line 3

IRC §2056(b)(7) creates an automatic QTIP election for certain joint and survivor annuities that are includible in the estate under IRC §2039. To qualify, only the surviving spouse can have the right to receive payments before the death of the surviving spouse.

The executor can elect out of QTIP treatment, however, by checking the "Yes" box on line 3. **Once made, the election is irrevocable.** If there is more than one such joint and survivor annuity, you are not required to make the election for all of them.

If you make the election out of QTIP treatment by checking "Yes" on line 3, you cannot deduct the amount of the annuity on Schedule M. If you do not make the election out, you must list the joint and survivor annuities on Schedule M.

Listing Property Interests on Schedule M

List each property interest included in the gross estate that passes from the decedent to the surviving spouse and for which a marital deduction is claimed. This includes otherwise nondeductible terminable interest property for which you are making a QTIP election. Number each item in sequence and describe each item in detail. Describe the instrument (including any clause or paragraph number) or provision of law under which each item passed to the surviving spouse. If possible, show where each item appears (number and schedule) on Schedules A through I.

In listing otherwise nondeductible property for which you are making a QTIP election, unless you specifically identify a fractional portion of the trust or other property as not subject to the election, the election will be considered made for all of the trust or other property.

Enter the value of each interest before taking into account the estate tax or any other death tax. The valuation dates used in determining the value of the gross estate apply also on Schedule M.

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:

- The value of all property that is included in the decedent's gross estate (Schedules A through I) but is not a part of the decedent's probate estate, such as lifetime transfers, jointly owned property that passed to the survivor on decedent's death, and the insurance payable to specific beneficiaries;
- The values of all specific and general legacies or devises, 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);
- 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; and
- Any other important information such as that relating to any claim to any part of the estate not arising under the will.

Attachments. If you list property interests passing by the decedent's will on Schedule M, attach a certified copy of the order admitting the will to probate. 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. In addition, the Department may request other evidence to support the marital deduction claimed.

INSTRUCTIONS FOR SCHEDULE O - CHARITABLE, PUBLIC, AND SIMILAR GIFTS AND BEQUESTS

General

You must complete Schedule O and file it with the return if you claim a deduction on Item 21 of Part 5 - Recapitulation.

You can claim the charitable deduction allowed under IRC §2055 for the value of property in the decedent's gross estate that was transferred by the decedent during life or by will to or for the use of any of the following:

- The United States, a state, a political subdivision of a state, or the District of Columbia, for exclusively public purposes;
- Any corporation or association organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art, or to foster national or international amateur sports competition (but only if none of its activities involve providing athletic facilities or equipment, unless the organization is a qualified amateur sports organization) and the prevention of cruelty to children and animals, as long as no part of the net earnings benefits any private individual and no substantial activity is undertaken to carry on propaganda, or otherwise attempt to influence legislation or participate in any political campaign on behalf of any candidate for public office;
- A trustee or a fraternal society, order or association operating under the lodge system, if the transferred property is to be used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, and no substantial activity is undertaken to carry on propaganda or otherwise attempt to influence legislation, or participate in any political campaign on behalf of any candidate for public office;
- Any veterans organization incorporated by an Act of Congress or any of its departments, local chapters, or posts, for which none of the net earnings benefits any private individual; or
- A foreign government or its political subdivision when the use of such property is limited exclusively to charitable purposes.

For this purpose, certain Indian tribal governments are treated as states and transfers to them qualify as deductible charitable contributions. See Rev. Proc. 2002-64, 2002-42 I.R.B. 717, as modified and supplemented by subsequent revenue procedures, for a list of qualifying Indian tribal governments.

You may also claim a charitable contribution deduction for a qualifying conservation easement granted after the decedent's death under the provisions of IRC §2031(c)(9).

The charitable deduction is allowed for amounts that are transferred to charitable organizations as a result of either a qualified disclaimer *(see **Line 2 - Qualified Disclaimer**)* or the complete termination of a power to consume, invade, or appropriate property for the benefit of an individual. It does not matter whether termination occurs because of the death of the individual or in any other way. The termination must occur within the period of time (including extensions) for filing the decedent's estate tax return and before the power has been exercised.

The deduction is limited to the amount actually available for charitable uses. Therefore, if under the terms of a will or the provisions of local law, or for any other reason, the federal estate tax, the federal GST tax, or any other estate, GST, succession, legacy, or inheritance tax is payable in whole or in part out of any bequest, legacy, or devise that would otherwise be allowed as a charitable deduction, the amount you may deduct is the amount of the bequest, legacy, or devise reduced by the total amount of the taxes.

If you elected to make installment payments of the estate tax, and the interest is payable out of property transferred to charity, you must reduce the charitable deduction by an estimate of the maximum amount of interest that will be paid on the deferred tax.

For split-interest trusts (or pooled income funds), enter in the "Amount" column the amount treated as passing to the charity. Do not enter the entire amount that passes to the trust (fund).

If you are deducting the value of the residue or a part of the residue passing to charity under the decedent's will, attach a copy of the computation showing how you determined the value, including any reduction for the taxes described above.

Also include:

- A statement that shows the values of all specific and general legacies or devises for both charitable and non-charitable uses. For each legacy or devise, indicate the paragraph or section of the decedent's will or codicil that applies. If legacies are made to each member of a class (for example, $1,000 to each of the decedent's employees), show only the number of each class and the total value of property they received;
- The date of birth of all life tenants or annuitants, the length of whose lives may affect the value of the interest passing to charity under the decedent's will;
- A statement showing the value of all property that is included in the decedent's gross estate but does not pass under the will, such as transfers, jointly owned property that passed to the survivor on decedent's death, and insurance payable to specific beneficiaries; and
- Any other important information such as that relating to any claim, not arising under the will, to any part of the estate (that is, a spouse claiming dower or curtesy or similar rights).

Line 2 - Qualified Disclaimer

The charitable deduction is allowed for amounts that are transferred to charitable organizations as a result of a qualified disclaimer. To be a qualified disclaimer, a refusal to accept an interest in property must meet the conditions of IRC §2518. These are explained in IRC Regulations §§25.2518-1 through 25.2518-3. If property passes to a charitable beneficiary as the result of a qualified disclaimer, check the "Yes" box on line 2 and attach a copy of the written disclaimer required by IRC §2518(b).

Attachments

If the charitable transfer was made by will, attach a certified copy of the order admitting the will to probate, in addition to the copy of the will. If the charitable transfer was made by any other written instrument, attach a copy. If the instrument is of public record, the copy should be certified; if not, the copy should be verified.

Value

The valuation dates used in determining the value of the gross estate apply also on Schedule O.

INSTRUCTIONS FOR SCHEDULE U - QUALIFIED CONSERVATION EASEMENT EXCLUSION

CAUTION: *If at the time of the contribution of the conservation easement, the value of the easement, the value of the land subject to the easement, or the value of any retained development right, was different than the estate tax value, you must complete a separate computation in addition to completing Schedule U.*

Use a copy of Schedule U as a worksheet for this separate computation. Complete Lines 4 through 14 of the worksheet Schedule U. However, the value on Lines 4, 5, 7 and 10 of the worksheet is the value as of the date of the contribution of the easement, not the estate tax value. If the date of contribution and the estate tax values are the same, you do not need to do a separate computation.

After completing the worksheet, enter the amount from Line 14 of the worksheet to Line 14 of Schedule U. Finish completing Schedule U by entering amounts on Lines 4, 7, and 15 through 20, following the instructions below for those lines. At the top of Schedule U, enter "worksheet attached." Attach the worksheet to the return.

Under IRC §2031(c), you may elect to exclude a portion of the value of land that is subject to a qualified conservation easement. You make the election by filing Schedule U with all of the required information and excluding the applicable value of the land that is subject to the easement on Part 5 - Recapitulation, Item 11. To elect the exclusion, you must include on Schedule A, B, E, F, G, or H, as appropriate, the decedent's interest in the land that is subject to the exclusion. You must make the election on a timely filed return, including extensions.

The exclusion is the lesser of:

- The applicable percentage of the value of land (after certain reductions) subject to a qualified conservation easement; or
- $500,000.

Once made, the election is irrevocable.

General Requirements

Qualified Land

Land may qualify for the exclusion if all of the following requirements are met:

- The decedent or a member of the decedent's family must have owned the land for the three-year period ending on the date of the decedent's death;
- No later than the date the election is made, a qualified conservation easement on the land has been made by the decedent, a member of the decedent's family, the executor of the decedent's estate, or the trustee of a trust that holds the land; and
- The land is located in the United States or one of its possessions.

Member of Family

Members of the decedent's family include the decedent's spouse; ancestors; lineal descendants of the decedent, of the decedent's spouse, and of the parents of the decedent; and the spouse of any lineal descendant. A legally adopted child of an individual is considered a child of the individual by blood.

Indirect Ownership of Land

The qualified conservation easement exclusion applies if the land is owned indirectly through a partnership, corporation or trust, if the decedent owned (directly or indirectly) at least 30% of the entity. For the rules on determining ownership of an entity, see **Ownership rules** below.

Ownership rules

An interest in property owned, directly or indirectly, by or for a corporation, partnership, or trust is considered proportionately owned by or for the entity's shareholders, partners, or beneficiaries. A person is the beneficiary of a trust only if he or she has a present interest in the trust. For additional information, see the ownership rules in IRC §2057(e)(3) (before its repeal by P.L. 107-16).

Qualified Conservation Easement

A *qualified conservation easement* is one that would qualify as a qualified conservation contribution under IRC §170(h). It must be a contribution:

- Of a qualified real property interest;
- To a qualified organization; and
- Exclusively for conservation purposes.

Qualified real property interest

The term "qualified real property" means any of the following:

- The entire interest of the donor, other than a qualified mineral interest;
- A remainder interest; or
- A restriction granted in perpetuity on the use that may be made of the real property. The restriction must include a prohibition on more than a de minimis use for commercial recreational activity.

Qualified organization

Qualified organizations include:

- The United States, a possession of the United States, a state (or the District of Columbia), or a political subdivision of them, as long as the gift is for exclusively public purposes;
- A domestic entity that meets the general requirements for qualifying as a charity under IRC §170(c)(2) and that generally receives a substantial amount of its support from a government unit or the general public; or
- Any entity that qualifies under IRC §170(h)(3)(B).

Conservation purposes

The term "conservation purpose" means:

- The preservation of land areas for outdoor recreation by, or the education of, the public;
- The protection of a relatively natural habitat of fish, wildlife, or plants, or a similar ecosystem; or
- The preservation of open space (including farmland and forest land) where such preservation is for the scenic enjoyment of the general public, or under a clearly delineated federal, state, or local conservation policy and will yield a significant public benefit.

Specific Instructions

Line 1

If the land is reported as one or more item numbers, simply list the schedule and item numbers. If the land subject to the easement comprises only part of an item, however, list the schedule and item number and describe the part subject to the easement. See the instructions for Schedule A - Real Estate for information on how to describe the land.

Line 3

Using the general rules for real estate valuation, provide enough information so the Department can confirm the easement value. Give the date the easement was granted and by whom it was granted.

Line 4

Enter on this line the gross value at which the land was reported on the applicable asset schedule on this return. Do not reduce the value by the amount of any mortgage outstanding. Report the estate tax value even if the easement was granted by the decedent (or someone other than the decedent) prior to the decedent's death. **Note***: If the value of the land reported on Line 4 was different at the time the easement was contributed than that reported on the return, see the Caution at the beginning of the Schedule U instructions.*

Line 5

The amount on Line 5 should be the date of death value of any qualifying conservation easements granted prior to the decedent's death, whether granted by the decedent or someone other than the decedent, for which the exclusion is being elected. **Note:** *If the value of the easement reported on Line 5 was different at the time the easement was contributed than that reported on the return, see the Caution at the beginning of the Schedule U instructions.*

Line 7

You must reduce the land value by the value of any development rights retained by the donor in the conveyance of the easement. A development right is any right to use the land for any commercial purpose that is not subordinate to and directly supportive of the use of the land as a farm for farming purposes. **Note:** *If the value of the development rights reported on Line 7 was different at the time the easement was contributed than that reported on the return, see the Caution at the beginning of the Schedule U instructions.*

You do not have to make this reduction if everyone with an interest in the land (regardless of whether in possession) agrees to permanently extinguish the retained development right. The agreement must be filed with this return and must include the following information and terms:

1. A statement that the agreement is made under IRC §2031(c)(5);
2. A list of all individuals holding an interest in the land that is subject to the qualified conservation easement. Include each person's name, address, tax identifying number, relationship to decedent and a description of their interest;
3. The items of real property shown on the estate tax return that are subject to the qualified conservation easement (identified by schedule and item number);
4. A description of the retained development right that is to be extinguished;
5. A clear statement of consent that is binding on all parties under applicable law;
   a. To take whatever action is necessary to permanently extinguish the retained development rights listed in the agreement; and
   b. To be personally liable for additional taxes under IRC §2031(c)(5)(C) if this agreement is not implemented by the earlier of:
      - The date that is two years after the date of the decedent's death; or
      - The date of sale of the land subject to the qualified conservation easement,
6. A statement that in the event this agreement is not timely implemented, that they will report the additional tax on whatever return is required and pay the additional tax by the last day of the sixth month following the applicable date described above.

All parties to the agreement must sign the statement.

Line 10

Enter the total value of the qualified conservation easements on which the exclusion is based. This could include easements granted by the decedent (or someone other than the decedent) prior to the decedent's death, easements granted by the decedent that take effect at death, easements granted by the executor after the decedent's death, or some combination of these.

Note: *Use the value of the easement as of the date of death, even if the easement was granted prior to the date of death. But, if the value of the easement was different at the time the easement was contributed than at the date of death, see the Caution at the beginning of Schedule U Instructions.*

Explain how this value was determined and attach copies of any appraisals. Normally, the appropriate way to value a conservation easement is to determine the FMV of the land both before and after the granting of the easement, with the difference being the value of the easement.

You must reduce the reported value of the easement by the amount of any consideration received for the easement. If the date of death value of the easement is different from the value at the time the consideration was received, you must reduce the value of the easement by the same proportion that the consideration received bears to the value of the easement at the time it was granted. For example, assume the value of the easement at the time it was granted was $100,000 and $10,000 was received in consideration for the easement. If the easement was worth $150,000 at the date of death, you must reduce the value of the easement by $15,000 ($10,000/$100,000 x $150,000) and report the value of the easement on line 10 as $135,000.

Line 15

If a charitable contribution deduction for this land has been taken on Schedule O, enter the amount of the deduction here. If the easement was granted after the decedent's death, a contribution deduction may be taken on Schedule O, if it otherwise qualifies, as long as no income tax deduction was or will be claimed for the contribution by any person or entity.

Line 16

You must reduce the value of the land by the amount of any acquisition indebtedness on the land at the date of the decedent's death. Acquisition indebtedness includes the unpaid amount of:

- Any indebtedness incurred by the donor in acquiring the property;
- Any indebtedness incurred before the acquisitions if the indebtedness would not have been incurred but for the acquisition;
- Any indebtedness incurred after the acquisition if the indebtedness would not have been incurred but for the acquisition and the incurrence of the indebtedness was reasonably foreseeable at the time of the acquisition; and
- The extension, renewal, or refinancing of acquisition indebtedness.

INSTRUCTIONS FOR CONTINUATION SCHEDULE

When you need to list more assets or deductions than you have room for on one of the main schedules, use the Continuation Schedule. It provides a uniform format for listing additional assets from Schedules A through I and additional deductions from Schedules J, K, L, M, and O.

Keep the following points in mind:

- Make copies of the blank schedule before completing it if you expect to need more than one Continuation Schedule.
- Use a separate Continuation Schedule for each main schedule you are continuing. Do not combine assets or deductions from different schedules on one Continuation Schedule.
- Use as many Continuation Schedules as needed to list all the assets or deductions.
- Enter the letter of the schedule you are continuing in the space at the top of the Continuation Schedule.
- Use the Unit value column only if continuing Schedule B, E, or G.
- Carry the total from the Continuation Schedules forward to the appropriate line on the main schedule.

If Continuing	Report	Where on Continuation Schedule
Schedule E, Part 2	*Percentage includible*	*Alternate valuation date*
Schedule K	*Amount unpaid to date*	*Alternate valuation date*
Schedule K	*Amount in contest*	*Alternate value*
Schedules J, L, M	*Description of deduction continuation*	*Alternate valuation date and Alternate value*
Schedule O	*Character of institution*	*Alternate valuation date and Alternate value*
Schedule O	*Amount of each deduction*	*Amount deductible*

For tax assistance visit dor.wa.gov or call 360-534-1503, option 2. For tax assistance or to request this document in an alternate format, please call 360-705-6705. Teletype (TTY) users may use the Washington Relay Service by calling 711.

ESTATE TAX FILING CHECKLIST

What to Include When Filing the Estate Tax Return - Assemble in Order Listed

- Payment, if any;
- Original Washington State Estate and Transfer Tax Return signed by the executor;
- Addendum(s), if applicable;
- Copy of the filed Federal Form 706, if applicable;
- Copy of Death Certificate;
- Copy of Letters of Administration/Testamentary, if any;
- Copy of Will, if any;
- Copy of Trust(s), if any; and
- All supporting documentation for the completed return schedules (including appraisals, brokerage statements, financial statements, Federal Form 712, etc.).

After Filing - What's Next

- The filing will be reviewed in the order received based on the postmark date. Our review process typically takes nine to twelve months. During our review we may request additional information or documentation. When the Department's examination is complete, the Department will issue an Estate Tax Release.
- We are often asked if a Department of Revenue release is needed to make distributions or to close probate. A Department release is not required to make distributions or to close probate; however, the personal representative is ultimately responsible for payment of any tax due. If the estate is closed and there is an adjustment that results in a refund, a warrant will be made out in the name of the estate and it may be difficult to negotiate the warrant if the estate is closed.

Common Estate Tax Filing Errors

- Using the net estate rather than the gross estate to determine if the estate meets the filing threshold.
- Incomplete estate tax filing; all applicable Washington schedules, supporting documentation for completed schedules, and applicable addendums not provided.
- Copies of the death certificate, will, and/or trusts not provided with the return.
- Washington estate tax return not signed by executor.
- Errors made calculating the Washington estate tax.
- Funeral expenses not reduced by 50% in a community property estate.
- Failure to adequately identify assets that are included as part of a marital deduction or credit shelter trust.
- Incorrect identification of out of state assets and/or incorrect apportionment calculation.
- Mortgages on real property deduction on Schedule A rather than on the appropriate Schedule K.
- Incorrect valuation of stocks and bonds, using closing value rather than the mean of the high and low for the date of death or alternate valuation date, or incorrect value for non-trading day.

What if I Have Questions Regarding Estate Tax?

- **Telephone:** You may call (360) 534-1503 and select option number 2.
- **E-mail:** You can send your questions via e-mail to estates@dor.wa.gov.
- **Web site:** Additional information regarding estate tax can be found on the Department's web site at https://dor.wa.gov/find-taxes-rates/other-taxes/estate-tax.
- **E-mail list service:** You can receive Estate Tax Notifications by subscribing to ListServ at https://listserv.dor.wa.gov. You can unsubscribe at any time.