

Internal Revenue Service

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Person To Contact:

Telephone Number:

Refer Reply To:
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Date: OCTOBER 14, 2015

Legend

Decedent
Spouse
Attorney
Date 1
Date 2

Dear :

This letter responds to your personal representative's letter of June 29, 2015, requesting an extension of time pursuant to § 301.9100-3 of the Procedure and Administration Regulations to make the election under § 2010(c)(5)(A) of the Internal Revenue Code (Code) (a "portability" election) to allow a decedent's surviving spouse to take into account that decedent's deceased spousal unused exclusion (DSUE) amount.

The facts and representations submitted are summarized as follows:

Decedent died on Date 1, survived by Spouse. Date 1 is a date after the effective date of the amendment to § 2010(c) to provide for portability of a DSUE amount to a surviving spouse. To obtain the benefit of portability of Decedent's DSUE amount to Spouse, Decedent's estate was required to file Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, on or before the date that is 9 months after Decedent's date of death or the last day of the period covered by an extension. Decedent's Form 706 was due on Date 2, but the estate did not file a Form 706 to make the portability election. The estate discovered its failure to elect portability after the due date for making the election.

At death, Decedent's assets were in a revocable trust. The trust provided that Decedent was the initial trustee. Upon Decedent's death, Attorney became the trustee

of the revocable trust and executor under § 2203. Attorney represents that the value of Decedent's gross estate is less than the basic exclusion amount in the year of the Decedent's death and that during his lifetime, Decedent made no taxable gifts. As executor, Attorney requests an extension of time pursuant to § 301.9100-3 to elect portability of Decedent's DSUE amount pursuant to § 2010(c)(5)(A).

LAW AND ANALYSIS

Section 2001(a) imposes a tax on the transfer of the taxable estate of every decedent who is a citizen or resident of the United States.

Section 2010(a) provides that a credit of the applicable credit amount shall be allowed to the estate of every decedent against the tax imposed by § 2001.

Section 2010(c)(1) provides that the applicable credit amount is the amount of the tentative tax that would be determined under § 2001(c) if the amount with respect to which such tentative tax is to be computed were equal to the applicable exclusion amount.

On December 17, 2010, Congress amended § 2010(c), effective for estates of decedents dying and gifts made after December 31, 2010, to allow portability of a decedent's unused applicable exclusion amount between spouses. Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, § 303, 124 Stat. 3296, 3302 (2010).

Section 2010(c)(2) provides that the applicable exclusion amount is the sum of the basic exclusion amount, and, in the case of a surviving spouse, the DSUE amount.

Section 2010(c)(3) generally provides that the basic exclusion amount is \$5,000,000, to be adjusted for inflation annually after calendar year 2011.

Section 2010(c)(4) defines the DSUE amount to mean the lesser of (A) the basic exclusion amount, or (B) the excess of -- (i) the applicable exclusion amount of the last deceased spouse of the surviving spouse, over (ii) the amount with respect to which the tentative tax is determined under § 2001(b)(1) on the estate of such deceased spouse.

Section 2010(c)(5)(A) provides that a DSUE amount may not be taken into account by a surviving spouse under § 2010(c)(2) unless the executor of the estate of the deceased spouse files an estate tax return on which such amount is computed and makes an election on such return that such amount may be so taken into account. The election, once made, shall be irrevocable. No election may be made if such return is filed after the time prescribed by law (including extensions) for filing such return.

Section 2010(c)(6) provides that the Secretary shall prescribe regulations as may be necessary or appropriate to implement § 2010(c).

Section 20.2010-2T(a) of the Estate Tax Regulations (as in effect on Date 1) provides that to allow a decedent's surviving spouse to take into account that decedent's DSUE amount, the executor of the decedent's estate must elect portability of the DSUE amount on a timely-filed Form 706. Under § 20.2010-2T(a)(1), the due date of an estate tax return required to elect portability is nine months after the decedent's date of death or the last day of the period covered by an extension (if an extension of time for filing has been granted). Under § 20.2010-2T(a)(2), the portability election is made by timely filing a complete and properly prepared estate tax return, unless the executor satisfies the requirements for the election not to apply in § 20.2010-2T(a)(3)(i).

Section 301.9100-1(c) provides that the Commissioner may grant a reasonable extension of time under the rules set forth in §§ 301.9100-2 and 301.9100-3 to make a regulatory election, or a statutory election (but no more than six months except in the case of taxpayer who is abroad), under all subtitles of the Code, except subtitles E, G, H, and I.

Section 301.9100-1(b) provides that the term "statutory election" means an election whose due date is prescribed by statute. The term "regulatory election" means an election whose due date is prescribed by a regulation published in the Federal Register, or a revenue ruling, revenue procedure, notice, or announcement published in the Internal Revenue Bulletin.

Section 301.9100-3 provides the standards the Commissioner will use to determine whether to grant an extension of time to make an election whose due date is prescribed by a regulation (and not expressly provided by statute).

A request for relief under § 301.9100-3 will be granted when the taxpayer provides evidence to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and that granting relief will not prejudice the interests of the government.

Section 301.9100-3(b)(1)(iii) provides that a taxpayer is deemed to have acted reasonably and in good faith if the taxpayer failed to make the election because, after exercising reasonable diligence (taking into account the taxpayer's experience and the complexity of the return or issue), the taxpayer was unaware of the necessity for the election.

The due date for the portability election is prescribed by statute in the case of an estate required to file an estate tax return under § 6018(a). See §§ 2010(c)(5)(A), 6075(a), and 6018(a). In the case of an estate that is not required to file an estate tax return under § 6018(a), the due date is prescribed by regulation. See

§ 20.2010-2T(a)(1). See also § 20.2010-2(a)(1) and Rev. Proc. 2014-18, 2014-7 IRB 513, § 2.03. Accordingly, in the latter case, a taxpayer may seek an extension of time to elect portability under the provisions of § 301.9100-3.

Section 6018(a)(1) requires the filing of an estate tax return in all cases where the gross estate exceeds the basic exclusion amount in effect under § 2010(c) for the calendar year which includes the date of death. For purposes of this determination, under § 6018(a)(3), the basic exclusion amount is reduced, but not below zero, by the sum of -- (A) the amount of the adjusted taxable gifts (within the meaning of § 2001(b)) made by the decedent after December 31, 1976, plus, (B) the aggregate amount allowed as a specific exemption under § 2521 (as in effect before its repeal by the Tax Reform Act of 1976) with respect to gifts made by the decedent after September 8, 1976.

Attorney represents that, based on the value of the gross estate and taking into account any taxable gifts, Decedent's estate is not required to file an estate tax return under § 6018(a). Under these facts, the Commissioner has discretionary authority under § 301.9100-3 to grant to Decedent's estate an extension of time to elect portability.

Based on the facts submitted and the representations made, we conclude that the requirements of § 301.9100-3 have been satisfied. Accordingly, we grant an extension of time of 120 days from the date of this letter in which to elect portability under § 2010(c)(5). The election should be made by filing a complete and properly-prepared Form 706 and a copy of this letter, within 120 days from the date of this letter, to the Cincinnati Service Center, at the following address: Internal Revenue Service, Cincinnati Service Center, Stop 82, Cincinnati, OH 45999. For purposes of electing portability, a Form 706 filed by Decedent's estate within 120 days from the date of this letter will be considered to be timely filed.

In accordance with the Power of Attorney on file with this office, we have sent a copy of this letter to your authorized representatives.

Except as expressly provided herein, we neither express nor imply any opinion concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

The rulings contained in this letter are based upon information and representations submitted by the Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

