

Estate Tax Closing Letter Guidance

Almost two years ago IRS announced it would no longer be issuing estate tax (Form 706) closing letters (Letter 627) except upon request of the estate AND such request had to be made at least four months after the filing of the estate tax return. Over the years executors, tax professionals, local probate courts, state tax departments, and others have come to rely on these letters as confirmation that the IRS examination of the estate tax return has been completed and the file has been closed. Notice 2017-12 is stating an account transcript issued by IRS can substitute for an estate tax closing letter and IRS is suggesting taxpayers obtain the transcript to satisfy their needs instead of the closing letter.

This transcript is a computer generated report that provides current account data including, but not limited to: the return received date, payment history, refund history, penalties assessed, interest assessed, the balance due with accruals, and the date on which the examination was closed. This transcript data has transaction codes for each entry. The code "421" and the explanation "Closed examination of tax return" indicates the IRS' examination of the estate tax return has been completed and that the IRS examination is closed.

Again a closing letter can be requested if desired. Those who want to receive either a closing letter or a transcript should make their request no earlier than four months after the filing of Form 706 (in order to give IRS time to complete the examination and processing of the return). Keep in mind that even after this is closed IRS can reopen the return for examination in several cases, such as fraud, concealment, misrepresentation of a material fact, clearly defined substantial error, portability case issues, etc.

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