



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

5.5.6

MAY 30, 2023

## EFFECTIVE DATE

(05-30-2023)

## PURPOSE

- (1) This transmits a revision to IRM 5.5.6, **Decedent, Estate and Gift Taxes, Collection on Accounts with Special Estate Tax Elections**.

## MATERIAL CHANGES

- (1) The following material changes have been made to IRM 5.5.6, **Collection on Accounts with Special Estate Tax Elections**:

IRM Subsection	Material Change
5.5.6.1	Heading has been changed from <i>Section Overview</i> to <i>Program Scope and Objectives</i> . Added content and simplified language. Moved some content on roles and responsibilities to subsection 5.5.6.1.3.
5.5.6.1.1	Created subsection 5.5.6.1.1, <i>Background</i> .
5.5.6.1.2	Created subsection 5.5.6.1.2, <i>Authority</i> .
5.5.6.1.3	Created subsection 5.5.6.1.3, <i>Roles and Responsibilities</i> .
5.5.6.1.4	Created subsection 5.5.6.1.4, <i>Program Management and Review</i> .
5.5.6.1.5	Created subsection 5.5.6.1.5, <i>Program Controls</i> .
5.5.6.1.6	Created subsection 5.5.6.1.6, <i>Terms and Acronyms</i> .
5.5.6.1.7	Created subsection 5.5.6.1.7, <i>Related Resources</i> .
5.5.6.5	Removed first two paragraphs since the remaining information in this subsection more accurately describes action that can be taken on Tax Court cases. Also, clarified language.
5.5.6.7	Clarified language, updated links, and corrected information on calculation of the collection statute expiration date on estates with IRC 6166 elections.
5.5.6.10	Clarified language, updated links, and corrected information to indicate that IRC 2032A provides a tax savings, and it is not a deduction.
5.5.6.13	Clarified language, updated links, and corrected information regarding the duration of the IRC 6324B Notice of Federal Estate Tax Lien.

<b>IRM Subsection</b>	<b>Material Change</b>
Throughout IRM	Minor updates throughout this IRM to update links, correct titles, resolve double spaces, and to fix quotation marks and grammar.

#### **EFFECT ON OTHER DOCUMENTS**

This transmittal supersedes manual transmittal dated June 19, 2013, titled **Collection on Accounts with Special Estate Tax Elections**.

#### **AUDIENCE**

Small Business/Self-Employed Collection Employees

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5.5.6  
Collection on Accounts with Special Estate Tax Elections

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5.5.6.1  
(06-19-2013)  
**Program Scope and Objectives**

- (1) **Purpose:** This IRM section provides background information and procedures for Field Collection employees who are responsible for collection of estate tax when a special estate tax election has terminated.
- (2) **Audience:** The guidance in this IRM is for Field Collection revenue officers investigating estate tax balance due cases.
- (3) **Policy Owner:** Director, Small Business/Self-Employed Division (SB/SE), Headquarters, Collection Policy.
- (4) **Program Owner:** Collection Policy, Global Strategic Compliance, oversees policy and guidance for the estate tax collection program.
- (5) **Primary Stakeholders:** The primary stakeholder is SB/SE Field Collection. Other functions that are affected by, or have input to, these procedures include Chief Counsel, IRS Independent Office of Appeals, Estate and Gift Examination, and Campus Estate and Gift.
- (6) **Program Goals:** This IRM provides the fundamental knowledge and procedural guidance for Field Collection revenue officers that investigate and resolve estate tax cases when a special estate tax election has terminated.

5.5.6.1.1  
(05-30-2023)  
**Background**

- (1) Some estates may qualify for a special estate tax election. If the special estate tax election terminates, collection action may be taken if the estate or heirs do not pay the estate tax liability. This IRM provides guidance for revenue officers to investigate and resolve estate tax accounts after a special election has been terminated.

5.5.6.1.2  
(05-30-2023)  
**Authority**

- (1) Delegation orders that are specific to the Small Business/Self Employed Collection organization are found in IRM 1.2.65.3, *SB/SE Functional Delegation Orders - Collection*.
- (2) Internal Revenue Code and Treasury Regulations related to this IRM section include the following:

U.S. Code (USC) Section	Treasury Regulation Section	Treasury Regulation or USC Title
IRC 2032A	26 CFR 20.2032A-8	Election and agreement to have certain property valued under section 2032A for estate tax purposes
IRC 2501	26 CFR 25.2501-1	Imposition of Tax
IRC 2603	No regulation	Liability for Tax
IRC 2661	No regulation	Administration
IRC 6161	26 CFR 1.6161-1	Extension of time for paying tax or deficiency

<b>U.S. Code (USC) Section</b>	<b>Treasury Regulation Section</b>	<b>Treasury Regulation or USC Title</b>
IRC 6165	26 CFR 20.6165-1	Bonds where time to pay tax or deficiency has been extended
IRC 6166	26 CFR 20.6166-1	Election of alternate extension of time for payment of estate tax where estate consists largely of interest in closely held business
IRC 6321	26 CFR 301.6321-1	Lien for taxes
IRC 6323	26 CFR 20.6323-1	Validity and priority against certain persons
IRC 6324	26 CFR 301.6324-1	Special liens for estate and gift taxes; personal liability of transferees and others
IRC 6324A	26 CFR 301.6324A-1	Election of and agreement to special lien for estate tax deferred under section 6166 or 6166A
IRC 6324B	26 CFR 20.6324B-1	Special lien for additional estate tax attributable to farm, etc., valuation
IRC 6325	26 CFR 301.6325-1	Release of lien or discharge of property
IRC 6326	26 CFR 301.6326-1	Administrative appeal of the erroneous filing of notice of federal tax lien
IRC 6330	26 CFR 301.6330-1	Notice and opportunity for hearing prior to levy

U.S. Code (USC) Section	Treasury Regulation Section	Treasury Regulation or USC Title
IRC 6331	26 CFR 301.6331-1	Levy and distraint
IRC 6334	26 CFR 301.6334-1	Property exempt from levy
IRC 6335	26 CFR 301.6335-1	Sale of seized property
IRC 6502	26 CFR 301.6502-1	Collection after assessment
IRC 6503	26 CFR 301.6503(d)-1	Suspension of running of period of limitation; extension of time for payment of estate tax
IRC 6601	26 CFR 301.6601-1	Interest on under-payments
IRC 6901	26 CFR 301.6901-1	Procedure in the case of transferred assets
IRC 7401	26 CFR 301.7401-1	Authorization
IRC 7402	No regulation	Jurisdiction of district courts
IRC 7403	26 CFR 301.7403-1	Action to enforce lien or to subject property to payment of tax

5.5.6.1.3  
(05-30-2023)  
**Roles and Responsibilities**

- (1) Field Collection employees are responsible for investigating and collecting on assigned collection cases arising from Form 706, *United States Estate (and Generation-Skipping Transfer) Tax Return*, and Form 706-A, *United States Additional Estate Tax Return*.
- (2) Director, Field Collection, is the executive responsible for all Field Collection programs.
- (3) Director, Collection Policy, is the executive responsible for the policies and procedures followed by Field Collection employees.
- (4) Field Collection Area Directors, Territory Managers, and Group Managers are responsible for ensuring Field Collection employees comply with these procedures.
- (5) Field Collection revenue officers are responsible for following the procedures in this IRM.

- (6) Field Collection CEASO employees and Counsel provide advice and may review some of the Field Collection revenue officer collection activities described in this IRM.
- (7) Estate and Gift Examination and Campus Estate and Gift determine if an estate qualifies for a special election. They refer cases to CEASO Advisory Estate Tax Lien Group to make collateral determinations, file Notices of Federal Estate Tax Liens, and to secure other collateral. See IRM 4.25.2, *Campus Estate and Gift*, and IRM 4.25.11, *Special Examination Procedures*, for Estate and Gift Examination and Campus Estate and Gift procedures. See IRM 5.5.8, *Advisory Responsibilities for Processing Estate Tax Liens*, for CEASO Advisory Estate Tax Lien Group procedures.

5.5.6.1.4  
(05-30-2023)  
**Program Management  
and Review**

- (1) IRM 1.4.50, *Collection Group Manager, Territory Manager and Area Director Operational Aid*, addresses responsibilities of managers for Field Collection case work.
- (2) IRM 1.4.53, *Advisory and Property Appraisal and Liquidation Specialist Group Manager Operational Aid*, addresses responsibilities for Civil Enforcement Advice and Support Operations (CEASO) group managers.
- (3) National quality and program reviews are conducted to ensure that program delivery and case actions are in accordance with procedural requirements. See IRM 5.13.1, *Embedded Quality Collection Field Organizations Administrative Guidelines*.

5.5.6.1.5  
(05-30-2023)  
**Program Controls**

- (1) The Integrated Collection System (ICS) is used to control estate tax accounts and to document case work.
- (2) The ENTITY Case Management System generates reports to assist in managing assigned inventory.

5.5.6.1.6  
(05-30-2023)  
**Terms and Acronyms**

- (1) The following terms are referenced in this IRM:

Term	Definition
Deferred	Tax that qualifies for the IRC 6166 extension of time to pay estate tax that is attributable to an interest in a closely held business election.
Non-Deferred	Tax that does <b>not</b> qualify for the IRC 6166 extension of time to pay estate tax that is attributable to an interest in a closely held business election.

- (2) The following table includes common acronyms used in estate tax cases:

Acronym	Definition
ALS	Automated Lien System
CCP	Centralized Case Processing



Acronym	Definition
CDP	Collection Due Process
CEASO	Civil Enforcement Advice and Support Operations
CFR	Code of Federal Regulations
CSED	Collection Statute Expiration Date
DOJ	Department of Justice
DLN	Document Locator Number
E&G	Estate & Gift
FTP	Failure to Pay
ICS	Integrated Collection System
IDRS	Integrated Data Retrieval System
IRC	Internal Revenue Code
IRM	Internal Revenue Manual
MFT	Master File Tax
NFTL	Notice of Federal Tax Lien
NMF	Non-Master File
SB/SE	Small Business Self Employed
SSN	Social Security Number
TC	Transaction Code

5.5.6.1.7  
(05-30-2023)

#### Related Resources

- (1) Related resources include the following:

IRM Section	IRM Title
IRM 4.25.2	Campus Estate and Gift
IRM 4.25.11	Special Examination Procedures
IRM 5.1.9	Collection Appeal Rights
IRM 5.1.19	Collection Statute Expiration
IRM 5.5.5	Processing Estate and Gift Tax Extensions
IRM 5.5.7	Collecting Estate Tax
IRM 5.5.8	Advisory Responsibilities for Processing Estate Tax Liens
IRM 5.10	Seizure and Sale
IRM 5.11	Notice of Levy

IRM Section	IRM Title
IRM 5.12	Federal Tax Liens
IRM 5.17.2	Federal Tax Liens
IRM 5.17.4	Suits by the United States
IRM 5.17.13	Insolvencies and Decedents' Estates
IRM 5.17.14	Fraudulent Transfers and Transferee and Other Third-Party Liability

5.5.6.2  
(06-19-2013)  
**IRC Section 6166**

- (1) IRC section 6166 provides an extension of time to pay Form 706 estate tax in **annual** installments. Generally, the maximum amount of time for payment of deferred tax is 10 years. The executor may select a shorter period, in which case the deferment will be the period selected. It allows executors a fourteen year period to pay estate tax attributable to an estate's interest in a closely held business. It grants the estate a deferral period to make interest only payments for the first four years. The first tax payment along with interest payment is due on the 5th anniversary of the due date of the return. See IRM 4.25.2.8.3.1, **General Information**.
- (2) The IRC section 6166 estate tax installment plans are approved by Exam Estate & Gift Specialty Tax. The Estate & Gift Tax Campus unit will make a preliminary determination if the estate qualifies for the installment payment privilege. This election should not be confused with the one year IRC section 6161, *Extensions of Time to Pay Estate Taxes*, which are approved by Advisory (see IRM 5.5.5). Collection function does not have authority to approve deferred installments plans under IRC section 6166.
- (3) The election to pay in installments must be made on a timely filed Form 706 on page 2, Part 3, *Elections by the Executor*, Line 3 and by attaching a notice of election to the return containing the information specified in Treas. Reg. 20.6166-1(b). Late filing of the return invalidates the election. However, if a return is timely filed without the election but an amended return containing the election is filed within 6 months of the non-extended due date of the Form 706, the election is considered timely.
- (4) If the deferred tax due is the result of an examination deficiency, the estate must make the election within 60 days after issuance of notice and demand.

5.5.6.3  
(06-19-2013)  
**Qualification for IRC 6166**

- (1) The criteria for qualifying for installment payments are:
  - Decedent was a citizen or resident of the United States on the date of death.
  - The value of interest in closely held business must exceed 35 percent of the adjusted gross estate.
  - The return is **timely** filed, and the IRC section 6166 election request was included on the **timely** filed return or an amended return within 6 months of the non-extended due date of the return.
- (2) An interest in closely held business is defined as:
  - A proprietorship that carries on a trade or business.

- An interest in a partnership that carries on a trade or business. Deceased partner's interest that is included in the gross estate must be 20 percent or more of the total capital interest in the partnership or the partnership has 45 or fewer partners.
  - Stock in a corporation carrying on a trade or business if 20 percent or more of the value of voting stock of the corporation is included in the gross estate, or the corporation has 45 or fewer shareholders.
- (3) For more details on qualification, see IRC 6166, **Extension of time for payment of estate tax where estate consists largely of interest in closely held business**, and IRM 4.25.2.8.3.1, **General Information**.
  - (4) IRC section 6166(h) provides for the election to defer the deficiency tax resulting from an examination if the estate is not already making payments under IRC section 6166. The IRC section 6166(h)(2) election must be made within 60 days of the issuance of the notice and demand. The deficiency is prorated per the formula in IRC section 6166(a). The estate cannot defer more than the deficiency. The estate may not elect to defer any portion of a deficiency that was due to negligence, intentional disregard of rules and regulations, or fraud with intent to evade tax.
  - (5) IRC section 6166(e) provides for the proration of deficiency installments if the estate is paying in installments under IRC section 6166 when the assessment is made. The part of the deficiency attributable to the closely held business shall be prorated and added to the installments. The deficiency portion of an installment that is due and payable when the deficiency assessment is made shall be paid upon notice and demand.
  - (6) **Non-deferred tax** must be paid by the return due date, unless the estate has an extension of time to pay under IRC section 6161. If the estate does not pay the non-deferred tax, procedures in IRM 4.25.2.8.3.12, **Computing Interest and Penalties**, will be taken by the Estate & Gift Tax Campus unit.
  - (7) These accounts can be identified on IDRS by status 14 or transaction code (TC) 488. The TC 488 indicates the account is in installment and/or manual billing and updates the module to status 14.

5.5.6.4  
(06-19-2013)  
**Acceleration of IRC 6166  
Tax Payments**

- (1) IRC section 6166(g)(1) provides for acceleration of installments. The balance of installments are accelerated upon notice and demand if:
  - Any portion of an interest in the qualifying business is distributed, sold, exchanged or otherwise disposed of, or money or property attributable to the interest is withdrawn from the business, and the aggregate of such distributions, withdrawals, etc. equals or exceeds 50 percent of the value of the entire interest, measured at the value reported on the Form 706 or as adjusted. Dispositions are cumulative, so a record should be kept of dispositions.
  - The estate fails to make all of an annual installment payment within 6 months of the due date.
  - The election may be terminated because the estate fails to provide security (lien or bond) to the Service for tax due if the Service has determined that security is necessary. The Service may make this determination at the time of the estate's IRC section 6166 election, or it may make the determination at some point during the IRC section 6166 installment agreement. Most likely this will happen when the estate has

failed to pay after requesting an extension of an annual installment payment or when the Service determines that the underlying business may be in financial difficulty.

- (2) When accelerated, the estate will be sent a series of letters from the Advisory Estate Tax Lien group and the Campus concerning termination and demand for the tax due. Advisory procedures are explained in IRM 5.5.8.5, *Collateral from Estates with IRC 6166 Elections*, and Campus procedures in IRM 4.25.2.8.5, *Miscellaneous IRC Section 6166 Campus Termination Issues*.
- (3) Copies of termination letters provide a payoff of the full amount of tax due to a specified date. This payoff can be used for collection purposes until the estate provides a date it will pay the account in full. Since the account was in Status 14, the campus will need to provide a payoff when necessary. Advisory should also have copies of termination letters in their case files and copies of liens, bonds, or financial information secured from the estate.
- (4) Once an account has been accelerated, it cannot be reinstated for reasonable cause. An account can be reinstated only if a valid extension of time to pay (under IRC section 6161) has been filed for the amount in question prior to the due date or the account was erroneously accelerated due to a processing error. A processing error is one in which a timely payment was treated as late or posted to the wrong account or type of tax. These errors should be rare, and an account should be reinstated only if it meets these guidelines. Neither Examination nor Collection has the authority to request reinstatement of an account other than in the above circumstances.

5.5.6.5  
(05-30-2023)  
**Tax Court Cases**

- (1) IRC 7485, **Bond to Stay Assessment and Collection**, allows for collection of an amount determined as a deficiency while a Tax Court decision is being appealed to the Circuit Court unless the taxpayer posts a bond.
- (2) If you receive an account to collect estate taxes, and the IRC 6166 election is either in Appeals or Tax Court for reconsideration, consult with Counsel to determine if collection can proceed, or if collection should be withheld.
- (3) Counsel will consider whether the underlying tax amount is in dispute, how much time remains on the IRC 6324(a)(1) estate tax lien, and collection potential on the remaining estate assets when providing guidance concerning continuation of collection.

5.5.6.6  
(06-19-2013)  
**Special Liens and Bonds  
for IRC 6166**

- (1) The laws granting the estate tax installment election provide the Service certain options to secure eventual payment. These options include:
  - a. Requiring the estate to furnish a performance bond in an amount equal to the estate tax and interest being deferred. Bonds must be renewed annually with documentation provided to the Service verifying renewal.
  - b. Allowing the estate to substitute the bond with the filing of a special lien under IRC section 6324A (Form 668-J) pledging their right, title, and interest to specific property to the government.
- (2) The Advisory Estate Tax Lien group is responsible for making determinations concerning securing special election liens or bonds to protect the Government's interest during the extended deferral period. See IRM 5.5.8.5.1, **Risk Reviews on Estates With IRC 6166 Elections**.

- (3) For IRC section 6166 elections, the Form 668-J, *Notice of Federal Estate Tax Lien Under Internal Revenue Code Section 6324A*, is secured and recorded by Advisory. The Form 13925, *IRC Section 6324A Lien Agreement Form*, reflects specific property that is pledged as collateral, the value, encumbrances, and parties who consented to the lien. This lien is not recorded on the Automated Lien System (ALS) since the CSED is extended beyond the normal ten year expiration date. A TC 582 may be on the account to reflect a lien has been recorded. You may find information in the ICS case history of Advisory actions.

LIEN	ATTACHES	DURATION
Section 6324A for Section 6166 extended payout cases.	Specific property described in the lien agreement (Forms 13925 or on 668-J)	Coincides with CSED. Must be recorded.

- (4) There will not be an IRC section 6324A lien in every case where the Service has agreed to an IRC section 6166 installment election. The Service will make a determination after the election whether it will need security based on the facts and circumstances of each case. The Service may require the estate to secure a bond. The estate may elect the IRC section 6324A lien in lieu of securing a bond.
- (5) The IRC 6324A lien is a consensual lien. Therefore, the estate does not have CDP rights. A bond may be substituted for the lien. See IRM 5.5.8.5.1, *Risk Reviews on Estates with IRC 6166 Elections*.
- (6) When the election has been terminated and the tax accelerated, collection action may be taken on the asset pledged on this lien agreement. Advisory can provide copies of their lien case files to assist with collection of the tax due. Advisory will also provide the lien release when necessary. To determine the duration of the lien, the CSED is extended for the period of time that the tax was deferred, including any extensions to pay that may have been granted.
- (7) If the property described on Form 668-J is insufficient to pay the estate tax in full, then any other property that remains attached by the IRC section 6324(a) lien (including the like lien) and/or the IRC section 6321 liens are subject to enforcement action. Distributees of the estate property also may be held liable as transferees.

5.5.6.7  
(05-30-2023)  
**Collection Statute  
Expiration Date**

- (1) Always check the Collection Statute Expiration Date (CSED) when working estate tax accounts. IDRS does not accurately reflect the CSED when multiple assessments are involved or when an IRC 6166 , **Extension of time for payment of estate tax where estate consists largely of interest in closely held business**, election has been granted.
- (2) For accounts with an approved IRC 6166 election, the CSED is suspended for the period during which payment of the tax is deferred. See IRC 6503(d), **Suspension of running of period of limitations**. However, running of the IRC 6324(a)(1) estate tax lien is not suspended. See IRM 5.5.7.11.1, **IRC 6324(a)(1) Estate Tax Lien**.
- (3) The collection statute is suspended at the time that the tax is assessed (TC 150 or TC 290/300 date) to the date that the IRC 6166 election went into

default as indicated by the TC 489 date input on Integrated Data Retrieval System (IDRS). See IRM 5.5.7.6.2, **CSED - IRC 6166 Deferred Tax**.

- (4) An estate can request an IRC 6161 extension of time for paying tax on an IRC 6166 installment payment for up to one year at a time. Both the IRC 6166 election and the IRC 6161 election suspend the collection statute. When more than one action suspends the running of the collection statute, and the suspensions overlap, the collection statute is suspended only once. See IRM 5.1.19.3, **Case Actions That Can Suspend And/Or Extend A CSED**. In these situations, the calculation of the CSED should be based on the time that the estate had the IRC 6166 election since the IRC 6161 extension of time to pay the annual installment would overlap with the IRC 6166 election.
- (5) It is possible to have multiple CSEDs if an account has a TC 290 or TC 300 additional tax assessment, and a portion or all of the deficiency was deferred under IRC 6166. For the portion of the tax that was deferred, the collection statute is suspended for that portion of the tax while the IRC 6166 election was in effect. Determine if payments on the account paid off the deferred amount of tax associated with the TC 150 original tax assessment. In that case, the collection statute is only suspended on the TC 290/300 additional tax assessment while the IRC 6166 election was in effect.
- (6) Any tax due that was **not deferred** under IRC section 6166 will have a different CSED. Form 4349, *Computation of Estate Tax Due With Return and Annual Installment*, will show the amount of tax that was deferred under IRC 6166. Campus Estate and Gift may have this information on the Campus database, or the form may be with the tax return.

**Note:** In some instances, the deferred amount may change due to an Appeals or Tax Court decision. Campus Estate and Gift should have the most current information on the deferred amount since they prepare the annual installment billings.

- (7) Other actions such as a transaction code (TC) 520 input due to a Collection Due Process hearing or a TC 480 input due to an offer in compromise can also impact the CSED. See IRM 5.1.19, **Collection Statute Expiration**, for additional information on events that impact the CSED.
- (8) Once you determine the correct CSED, document your ICS history with the new CSED and how you arrived at the date. Be sure that the information is also updated on ICS.

#### 5.5.6.8 (06-19-2013) Payoffs

- (1) Payoffs for IRC section 6166 accounts will need to be secured from the Campus E&G unit. Once an account goes into status 14, you can no longer get a payoff through IDRS. If IDRS reflects manual assessments of penalty and interest, accrued penalties and interest need to be computed. For Campus E&G contacts, see Estate and Gift Tax Knowledge Management.
- (2) After an IRC section 6166 account is accelerated, the Campus closes their case file. Partial information regarding these accounts are maintained on their database. The Campus may need to secure additional information from the collection case file or order their closed file in order to provide a payoff.
- (3) Copies of termination letters issued by the Campus provide a payoff of the full amount of tax due to a specified date. This payoff can be used for collection



purposes until the estate provides a date it will pay the account in full. Advisory should also have copies of termination letters in their case files and copies of liens, bonds or financial information secured from the estate.

- (4) Once the status 14 is input, FTP and interest need to be calculated and manually input. The last TC 340 on the account will reflect to what date the interest has been updated. When a collection account assigned to the field is paid in full, the revenue officer is required to request input of the penalties and interest to the date of payment to prevent refunds.
- (5) The manual assessment can be requested on Form 3244 when posting funds received, or if the funds have posted, request the assessment on Form 4844.
- (6) Submit a Form 4844, *Request for Terminal Action*, to the CCP Fort to request assessment of accruals once the balance due is paid. Send your request to the CCP Unit at the e-mail address shown on Estate and Gift Tax Knowledge Management.
- (7) Do not abate penalties or interest assessments made by the Campus in accordance with their IRM provisions - unless you verify there was a Service error.

5.5.6.8.1  
(06-19-2013)  
**Interrelated Payoff  
Computation**

- (1) When computing payoffs on estate tax accounts, be aware that the estate may qualify for an interrelated payoff computation.
- (2) When Form 706 is filed, deductions against the gross estate have been claimed for the expenses incurred in administering the estate. After the return has been filed, additional expenses may be incurred for which the estate can claim a deduction by filing an amended return. Such expenses include attorney fees, accounting fees, interest due on state estate tax liabilities unpaid at the time returns are filed, and state death tax credits that have been paid in installments. Allowable expenses are explained in IRC 2053, *Expenses, indebtedness and taxes*.
- (3) Any additional deductions, including interest as a debt, must be requested in writing by the estate or by submitting a supplemental return. On a balance due account, interest as a debt may be limited to only the interest that has been paid instead of all interest that is due.
- (4) If all or a portion of the estate tax has been deferred under IRC section 6166, the estate may request a recomputation of the tax due based on allowed additional expenses. The supplemental return with documented expenses must be provided to the E&G 6166 unit at the Campus in order to do the interrelated computation with special software and to provide a payoff.
- (5) Tax decreases on amended and/or interrelated computations will not be input without the taxpayer's agreement and/or payment in full per the new computation.
- (6) Until a determination on a supplemental return is made by the Campus, the tax is still due.

5.5.6.9  
(06-19-2013)  
**Working a Terminated  
IRC 6166 Account**

- (1) When conducting your initial analysis of the account, check TXMOD for the following:
  - Check the last TC 340. Interest was assessed to this date only.

- Is there a TC 582 lien indicator or a TC 360 for a lien fee? Is it an IRC section 6321 lien or IRC section 6324A lien? – you may see **special lien** indicated. Check ICS history, archive history, or with Advisory for previous action on the account.
  - How much time, if any, remains on the IRC section 6324(a) lien? During the time the taxes were in status 14, the ten-year estate tax lien continued to run.
  - Check for TC 468, status 14 input, and TC 488/489. Compute the CSED and document the CSED date in your ICS history.
  - Check for transaction codes and TXMOD/ENMOD history for appeals, penalty abatement requests, amended returns, etc. Educate yourself on what happened with this account before it came to you – it will help you make future decisions.
- (2) Secure copies of the following documents:
- Letters from Campus/Advisory terminating the election (Letter 950-H or I, Letter 6335-F for balance due amounts). See IRM 5.5.8.5, IRM 4.25.2.1.15, and 4.25.2.1.16 concerning IRC 6166 procedures.
  - Any related appeals or Tax Court decision or settlement documents. Is it pending or resolved?
  - Liens filed by Advisory to determine what property was pledged as collateral on deferred tax due (Form 668-J and Form 13925) and any correspondence pertinent to collection of the tax due.
  - Copy of any bond secured by Advisory.
- (3) As part of your collection investigation:
- Research the status of the business – is it sold, bankrupt, expanding and funds went elsewhere? Investing funds hoping for big payback later? Do an internet search for information on the business. The estate had a large interest in a closely held business to qualify for this election.
  - Determine if the business was sold – if so, did IRS receive any of the sale proceeds? If not, where are the sale proceeds? If more than fifty percent of the closely held business was sold, the election is terminated.
  - Find out where funds used to make installments payments were coming from. This may provide a potential levy source.
  - Contact Advisory. Their case file may have financial information on the business and/or estate assets used for lien collateral evaluation. Secure and review this information for collection potential.
  - Secure the 706 return. Campus and/or Advisory may be able to provide partial copies of the 706 return until you receive the entire tax return for review.
  - Determine if the executor or other fiduciary received a discharge of liability under IRC section 2204. The application for discharge and the letter granting the discharge should be attached to the Form 706.
- (4) If a special lien was secured:
- Collateral listed on a 668-J lien and/or Form 13925 will provide legal descriptions of property pledged as collateral for tax due – this is the asset to pursue for collection of tax due.
  - Determine the current status of property pledged as collateral.



- Make demand for payment. The amount in the Letter 6335-F may be used until the estate requests a payoff. Send pre-levy notice if there is seizure potential.
- (5) If a special lien was not secured:
- Was a section 6165 bond provided?
  - What is date of death – did the IRC section 6324(a) lien expire?
  - Was an IRC section 6321 lien recorded? What does it attach to?
  - What estate assets remain to collect from?
  - If property was sold, was a discharge of the property from any liens recorded?
  - Contact executor and/or responsible parties to pay installment payments, demand payment, determine what remains to collect from.
  - Consider transferee against those who received estate assets or fiduciary liability against those that were liable to pay installments. See 6166 election information with the 706 return and determine to whom letters were sent from the Campus for annual installments.
- (6) After conducting your fact finding, contact the estate representative and determine how the estate will pay the tax due.

5.5.6.10  
(05-30-2023)  
**IRC Section 2032A**

- (1) An estate may also be eligible for an IRC 2032A, **Valuation of certain farm, etc., real property**, special use valuation election which allows an estate to specially value real property used in a family-owned business. This election must be approved by E&G Examination. The IRC 2032A election is reported on Schedule A-1, *Section 2032A Valuation*, which is attached to Form 706, **United States Estate (and Generation-Skipping Transfer) Tax Return**. The election is identified on Page 2 of the 706 return. See Part 3, *Elections by the Executor*.
- (2) If the estate qualifies for the IRC 2032A election, the estate receives a tax savings. The qualified heir(s) must not dispose of any interest in the qualified real property (other than by a disposition to certain family members or a qualifying like-kind exchange) or cease to use the qualified real property for the qualified use for ten years after the decedent's death. If an heir does not maintain these requirements, an additional tax (also known as recapture tax) is triggered. See IRM 5.5.8.4, **IRC 2032A Special Use Valuation Elections**, for specific details concerning this election.
- (3) The ten-year statute of limitations for collection of the additional estate tax (also known as recapture tax) against the heirs does not begin until tax is assessed against the heir after the triggering disposition or cessation of qualified use. The recapture tax must be reported and paid on Form 706-A, *United States Additional Estate Tax Return*, or, if not reported on Form 706-A, may be asserted in a deficiency notice. A Form 706-A tax liability is assessed under the beneficiary's social security number on Non-Master File (NMF), and the return is due six months from the date that the event occurred to trigger the tax liability.

5.5.6.11  
(06-19-2013)  
**IRC Section 2057**

- (1) The IRC 2057 election for valuation of the qualified family-owned business interest is reported on Schedule T, *Qualified Family-Owned Business Interest Deduction*. If the family members dispose of or fail to materially participate in the business or the business is sold within 10 years after the date of the decedent's death, the recapture tax will be triggered. See the Code section for specific details concerning this election.
- (2) Any recapture tax is reported and paid on Form 706-D, *United States Additional Estate Tax Return – Under Code Section 2057*, or, if not reported on Form 706-D, may be asserted in a deficiency notice. IRC 2057 was repealed in 2014. This section does not apply to estates of decedents who died after December 31, 2003. See IRC 2057 (j), **Termination**. Though the election can no longer be taken, you may receive a collection account for the recapture tax due if the qualified family-owned business did not continue to be operated by family members for the ten-year period.

5.5.6.12  
(06-19-2013)  
**Assessment of  
Recapture Tax**

- (1) The recapture tax account is assessed as a NMF account, MFT code 53, under the heir's SSN with an **N** indicator.
- (2) The due date for the return is within six months of the disposition or disqualification of the business.

5.5.6.13  
(05-30-2023)  
**Special Lien for IRC  
Section 2032A or 2057**

- (1) When an IRC 2032A, **Valuation of certain farm, etc., real property**, or IRC 2057, **Family-Owned Business Interests**, election is granted, a tax lien under IRC 6324B, *Special lien for additional estate tax attributable to farm, etc., valuation*, arises. The IRC 6324B lien protects the government's interest in the event that the additional estate tax (also known as recapture tax) is assessed due to termination of the election.
- (2) Form 668-H, *Notice of Federal Estate Tax Lien Under Internal Revenue Laws*, is prepared by Advisory Estate Tax Lien Group and recorded in the public records. The lien specifically identifies the property subject to the lien. All parties with an interest in the asset that qualified the estate for the election must consent to the recording of the IRC 6324B lien by completing Schedule A-1 or Schedule T of Form 706, **United States Estate (and Generation-Skipping Transfer) Tax Return**.
- (3) The closely held businesses and real property use that qualified the estate for the IRC 2032A or IRC 2057 election are monitored by the Advisory Estate Tax Lien group. Secure a copy of the lien from Advisory to determine which assets are pledged as collateral. Collection action may be taken on the assets specified on the lien. Advisory responsibilities are outlined in IRM 5.5.8, **Advisory Responsibilities for Processing Estate Tax Liens**.

LIEN	ATTACHES	DURATION
IRC 6324B, <b>Special lien for additional estate tax attributable to farm, etc. valuation</b> , created by the IRC 2032A or IRC 2057 election	Specific property designated in Schedule A-1 or Schedule T of Form 706 and as shown on Form 668-H	<p>The lien is created when an estate makes an IRC 2032A or IRC 2057 election, and it continues until one of the following occurs:</p> <p>The IRS has confirmed that no event occurred to trigger the tax during the ten-year period following the decedent's death; or,</p> <p>If the additional estate tax is triggered and assessed on Form 706-A, <b>United States Additional Estate Tax Return</b>, the lien continues until the tax is paid or through the Form 706-A collection statute expiration date (CSED).</p>

- (4) These liens are not recorded on Automated Lien System (ALS). There might not be an open module under the estate's social security number (SSN) to input the TC 582, **Lien Indicator**. Advisory can provide copies of their lien case file, and they will provide the lien release when necessary.
- (5) These liens arise at the election and are consensual liens since all parties with an interest in the qualifying asset must consent to the recording of the lien when they sign a completed Schedule A-1 or Schedule T to make the election. Therefore, the executor of the estate and qualified heirs do not have Collection Due Process (CDP) or Collection Appeals Program (CAP) rights related to this lien.
- (6) The property covered by the lien for the IRC 2032A election is the interest in the qualified real property. The property covered by the lien for the IRC 2057 election can be either real or personal property.

