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Tax Filing and Penalty Relief for 2010 Estates

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On September 13, 2011, the IRS announced that large estates of individuals who died in 2010 will have until early next year to file various required returns and pay any estate taxes due. In addition, the IRS is providing penalty relief to certain beneficiaries of these estates on their 2010 federal income tax returns.

This relief is designed to give large estates, normally those over \$5 million, more time to comply with the tax law changes enacted late last year. The IRS is providing the following relief:

1. Large estates, opting out of the estate tax, now will have until Tuesday, January 17, 2012, to file Form 8939. This carryover basis form, required of estates making this choice, was previously due on November 15, 2011. Because this is a change in the specified due date rather than an extension, no statement or form needs to be filed with the IRS to have this new due date apply.
2. 2010 estates that request an extension of time to file on Form 4768 will have until March 2012 to file their estate tax returns and pay any estate tax due. Normally, a six-month filing extension is automatically granted to estates filing this form, but extensions of time to pay are granted only for good cause. As a result, most 2010 estates that timely file Form 4768 will have until Monday, March 19, 2012 to file. For estates of those dying late in 2010 (after Dec. 16, 2010 and

before Jan. 1, 2011), the due date is 15 months after the date of death. No late-filing or late-payment penalties will be due, though interest still will be charged on any estate tax paid after the original due date.

3. Special penalty relief is provided to many individuals, estates and trusts that already filed a 2010 federal income tax return, or obtained an extension and plan to file by the October 17, 2011 extended due date. Late-payment and negligence penalty relief applies to persons inheriting property from a decedent dying in 2010, who then sells the property in 2010 but improperly reports gain or loss because they did not know whether the estate made the carryover basis election. Further details are provided in Notice 2011-76 posted on IRS.gov.

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