



## Account Transcript May Serve As Estate Tax Closing Letter

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An estate tax closing letter is meant to evidence that the IRS has accepted the filing of an estate tax return and that the federal tax liabilities are satisfied, allowing the executor of the estate to close out the estate administration process. The IRS won't reopen a case when a closing letter has been issued except in certain extreme circumstances, such as fraud, substantial error by the IRS or when a failure to reopen would be a serious administrative omission.

### *Returns Filed After June 1, 2015*

Earlier this year the IRS announced that, for all estate tax returns filed on or after June 1, 2015, estate tax closing letters would not be automatically issued to the taxpayer. Instead, going forward, the IRS would issue estate tax closing letters only upon the affirmative request of the taxpayer or the taxpayer's authorized representative.

### *Transcript May Suffice*

The IRS recently indicated that a taxpayer's account transcripts may be an acceptable substitute for an estate tax closing letter so long as the transcripts bear a proper indicator that Form 706 has been accepted as filed and an examination has been concluded. An acceptable account transcript is one that includes transaction code number 421, providing proof that the IRS has accepted as filed a Form 706 and that an examination has been completed. The absence of the transaction code 421 indicates that the tax return remains under review.

A taxpayer's authorized representative can obtain the taxpayer's account transcripts either online through the IRS's Transcript Delivery Service or by fax or mail through filing Form 4506-T. Account transcripts are issued to representatives only when a properly executed Form 2848 Power of Attorney or Form 8821 Tax Information Authorization in favor of that representative is already on file.

The announcement of the transcripts as an acceptable substitute for an estate tax closing letter is surprising after the IRS's recent change in procedure regarding such closing letters.

### ***Requesting a Closing Letter***

To request an estate tax closing letter, the IRS's website provides that the estate's personal representative should call (866) 699-4083 and provide to the IRS the following information: (i) the name of the decedent; (ii) the decedent's social security number; and (iii) the date of death. The closing letter will then be issued to the executor at the address of record.

In requesting either an estate tax closing letter or account transcripts, the IRS notes that a decision to audit a Form 706 is typically made within four to six months after the date of filing. This means that taxpayers and taxpayer representative are advised to wait four to six months after the Form 706 filing date before submitting a request for account transcripts or an estate tax closing letter.

### ***Importance of a Closing Letter***

The receipt of an estate tax closing letter notifies the Executor that the estate can be wound up and assets distributed to beneficiaries. Often an estate tax closing letter is requested as proof of payment of all federal estate tax liabilities that constitute an inchoate lien on property. It is not uncommon for title companies, commissioners of accounts, or others reviewing probate related matters to request a closing letter. Executors should calendar the date, four months after filing the estate tax return, to request a closing letter.

### ***Will Requesting a Closing Letter Invite Audit?***

Some Executors have expressed fear that the request of a closing letter will invite audit, but our experience suggests that this may not be so. In our experience, closing letters have been issued in less than a week, thereby allowing the Executor to move forward with the conclusion of the estate administration process. Of course, larger estates, with hard-to-value assets, and where estate tax is being paid, will almost always attract the attention of the IRS and be selected for audit. We do not see the new procedures changing this experience.

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