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Instructions for Form 706-A

(Rev. August 2025)

United States Additional Estate Tax Return

(For use with Form 706-A (Rev. August 2025))

To report dispositions or cessations of qualified use under section 2032A of the Internal Revenue Code.



Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 706-A and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form706A](https://irs.gov/Form706A).

What's New

Form 706-A redesign. The Form 706-A has been redesigned to work more efficiently for taxpayers and the IRS.

Electronic payments. The use of paper-based payments (including checks and money orders) flowing into and out of the federal government are being transitioned into electronic payments to reduce delays, risks of fraud, lost payments, theft, and inefficiencies. See [IRS.gov/EO14247](https://irs.gov/EO14247), for more information.

Making a payment. Payments made to the federal government must be processed electronically. See [Line 19—Additional Estate Tax](https://irs.gov/Line19), and [Non-electronic payment exceptions](https://irs.gov/Non-electronic), later, for information on how to make a payment.

General Instructions

Purpose of Form

An heir must use Form 706-A to report the additional estate tax imposed by section 2032A(c) for an early disposition of specially valued property or for an early cessation of a qualified use of specially valued property.

The recapture tax is limited to the tax savings attributable to the property actually disposed of (or for which qualified use ceased) rather than to the tax savings attributable to all the specially valued property received by the heir.

Who Must File

The qualified heir must file Form 706-A if there was any taxable event (see [Taxable Events](https://irs.gov/TaxableEvents), later) with respect to the specially valued property even if no tax is ultimately due. Further, the qualified heir must file Form 706-A if there was any involuntary conversion or exchange of the specially valued property even if the conversion or exchange is nontaxable.

When To File and Pay

File Form 706-A and pay any additional taxes due within 6 months after the taxable disposition or cessation of the qualified use unless an extension of time has been granted.

Use Form 4768, Application for Extension of Time To File a Return and/or Pay U.S. Estate (and Generation-Skipping Transfer) Taxes, to apply for an automatic extension of time to file. Check the "Form 706-A" box in Part II of Form 4768.

If you are making an election to increase basis, see [Basis](https://irs.gov/Basis), later, for information on paying interest.

See [Line 19—Additional Estate Tax](https://irs.gov/Line19), later, for details on how to make payments.

Private delivery services (PDSs). You can use certain PDSs designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. Go to [IRS.gov/PDS](https://irs.gov/PDS).

The PDS can tell you how to get written proof of the mailing date.

For the IRS mailing address to use if you're using a PDS, go to [IRS.gov/PDSStreetAddresses](https://irs.gov/PDSStreetAddresses).



PDSs can't deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.

Where To File

File Form 706-A at the following address.

Department of the Treasury
Internal Revenue Service Center
Kansas City, MO 64999

If using a PDS, use this address.

Internal Revenue Submission Processing Center
333 W. Pershing Rd.
Kansas City, MO 64108

Statute of Limitations

The additional estate tax may be assessed until 3 years after the IRS receives notice that the qualified heir disposed of the specially valued property or ceased to use it for the qualified use.

However, if the property was disposed of in an involuntary conversion or in an exchange, the tax may be assessed up to 3 years after the IRS receives notice that the property was replaced or will not be replaced. See section 2032A(f) for details.

Lien

If the estate elected special-use valuation, section 6324B establishes a special lien against the specially valued property equal to the adjusted tax difference attributable to the special-use valuation.

Penalties

Return preparer. Estate tax return preparers who prepare any return or claim for refund which reflects an understatement of tax liability due to an unreasonable position are subject to a penalty equal to the greater of

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\$1,000 or 50% of the income earned (or to be earned) for the preparation of each such return.

Estate tax return preparers who prepare any return or claim for refund which reflects an understatement of tax liability due to willful or reckless conduct are subject to a penalty of \$5,000 or 75% of the income derived (or income to be derived), whichever is greater, for the preparation of each such return.

See section 6694, the related regulations, and Ann. 2009-15, 2009-11 I.R.B. 687, available at [Announcement 2009-15](#), for more information.

Definitions

Specially valued property. The term “specially valued property” means farm or closely held business property that the executor elected to value at actual use rather than fair market value ([FMV](#)) (defined later). The executor makes the election on Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, filed for the decedent. Specially valued property refers to the qualified real property described in section 2032A and includes qualified real property owned indirectly, such as interests in certain partnerships, corporations, and trusts as described in section 2032A.

If special valuation was elected on Form 706, each qualified heir consented in writing to their personal liability for the additional estate tax attributable to their interest in the specially valued property.

Qualified heir. The term “qualified heir” means, for any property, a member of the decedent’s family who acquired the property (or to whom the property passes) from the decedent. If a qualified heir disposes of any interest in qualified real property to any member of their family, that member shall thereafter be treated as the qualified heir for the interest.

Taxable Events

The qualified heir causes a *taxable event* by disposing of any interest in the specially valued property or ceasing to use the specially valued property for its qualified use if:

- The disposition or cessation of qualified use was before the death of the qualified heir, and
- The disposition or cessation was within 10 years after the decedent’s death. (But see [Two-Year Grace Period—Commencement Date](#), later.)

Only one additional estate tax will be imposed with respect to any one part of specially valued property. For example, if additional estate tax is imposed for early cessation of a qualified use, a second additional estate tax will not be imposed for a subsequent early disposition of the same part of the specially valued property.

Disposition to family member. A disposition of an interest in property to a family member of the qualified heir is a *taxable event* that must be reported on Form 706-A. If the transferee enters into an agreement to be personally liable for any additional tax under section 2032A(c), the disposition is nontaxable and you should enter it on Schedule C (Form 706-A).

If the family member does not enter into the agreement, the disposition is taxable and you should enter it on Schedule A (Form 706-A).

Disposition of timber. If the executor made a qualified woodlands election (section 2032A(e)(13)(A)), the

disposition or severing of timber from the woodland is a disposition of a portion of the interest in the property. The disposition of a right to sever is treated as a disposition of the standing timber.

The additional estate tax on this disposition is the amount equal to the lesser of:

- The amount realized on the disposition (or, if other than a sale or exchange at arm’s length, the FMV of the interest disposed of); or
- The amount of additional estate tax that would have been imposed if the entire interest of the qualified heir in the qualified woodland had been disposed of, minus any additional estate tax imposed on all earlier transactions involving the woodland.

Cessation of qualified use. The specially valued real property must be used as a farm for farming purposes, or used in a trade or business other than the trade or business of farming. For more details, see the Instructions for Form 706.

The qualified use ceases if the specially valued real property is not used for the qualified use described earlier. Use of the property as a farm or other business is also considered to cease if, during any 8-year period that ends after the decedent’s death, there were periods totaling more than 3 years during which:

1. Neither the decedent nor any member of the decedent’s family materially participated in the operation of the farm or other business (while the decedent held the property), and
2. Neither the qualified heir nor any member of the qualified heir’s family materially participated in the operation of the farm or other business (while the heir held the property).

If the decedent was retired or disabled before death, there are special rules for applying the 8-year period to paragraph (1) above. See section 2032A(b)(4) and the Instructions for Form 706.

Member of family. The term “member of the family” includes only:

- An ancestor (parent, grandparent, etc.) of the individual (where individual refers to either the decedent or a qualified heir);
- The spouse of the individual;
- A lineal descendant (child, stepchild, grandchild, etc.) of the individual, the individual’s spouse, or a parent of the individual; or
- The spouse, widow, or widower of any lineal descendant described above.

A legally adopted child of an individual is treated as a child of that individual by blood.

Period of material participation. To determine whether the material participation requirement is satisfied, include periods during which the decedent’s estate held the property.

If a qualified heir dies before the required period has passed, any material participation requirement ends for that heir’s portion of the property, provided the heir received a separate or other undivided interest from the decedent.

If qualified heirs receive successive interests in specially valued property (for example, a life estate and remainder interests), the material participation requirement does not end for any part of the property until the later of the expiration of the recapture period or the death of the last qualified heir.

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In determining whether the required participation has occurred, disregard brief periods (30 days or less) during which there was no material participation. But you may disregard these periods only if they were both preceded and followed by substantial periods (more than 120 days) in which there was uninterrupted material participation.

Required activities for material participation. See the Instructions for Form 706.

Basis

See section 1014(a) for the basis of property acquired from a decedent.

Election to increase basis. A qualified heir may elect to increase the basis of specially valued property when a *taxable event* (defined earlier) occurs. If this election is made, the basis of the property shall increase to the excess of the FMV amount on the decedent's date of death (or alternate valuation date, if applicable) over the value amount determined under section 2032A. Once the election is made, it is irrevocable.

To make the election, the qualified heir must:

1. Check the box in Part I, line 8;
2. Enter in Part II, line 20, the amount of interest being paid on the additional estate tax due; and
3. File with Form 706-A a statement that:
 - a. Contains the name, address, and taxpayer identification number of the qualified heir and of the estate;
 - b. Identifies the election as the election under section 1016(c); and
 - c. Specifies the property with respect to which the election is made.

A qualified heir who makes this election must pay interest on the additional estate tax calculated from the date that is 9 months after the date of the decedent's death to the date of the payment of the additional estate tax.

Two-Year Grace Period—Commencement Date

For the 2 years immediately following the date of the decedent's death, the failure by the qualified heir to begin using the property in a qualified use will not be considered a cessation of qualified use and therefore will not trigger the additional estate tax. The date on which the qualified heir begins to use the property in a qualified use is the *commencement date*.

The 10-year recapture period is extended by the period after the decedent's death and before the commencement date.

For example, if the decedent died February 28, 2025, and the commencement date is August 1, 2026, the recapture period would begin August 1, 2026, and end July 31, 2036.

How To Complete Form 706-A

You may file Form 706-A for only one qualified heir. If a disposition, cessation, involuntary conversion, or exchange involves more than one qualified heir, each heir must file a separate Form 706-A.

Complete Form 706-A in this order.

1. Part I.
2. Schedules A and B.
3. Part II.
4. Schedule C.

Note. The qualified heir must sign the return.

Specific Instructions

Valuation

When computing the amounts to enter on Form 706-A, use the same values and estate tax that the executor reported on the Form 706 filed for the decedent. However, if the IRS has completed the audit of the estate tax return, use the agreed values and tax rather than the reported values and tax.

Schedule A. Disposition of Specially Valued Property or Cessation of Qualified Use

On Schedule A (Form 706-A), list every specially valued property interest that the qualified heir disposed of or discontinued use of since the date of the decedent's death and for which a Form 706-A has not been previously filed. Do not list any interests that have already been reported on Schedule A or B of a previously filed Form 706-A. In general, do not list property interests disposed of to family members of the qualified heir. These interests should be listed on Schedule C (Form 706-A).

If there is not enough space to list all of the property, attach additional copies of Schedule A (Form 706-A), as necessary.

Column (a). Number and list the property interests in chronological order of disposition or cessation.

Columns (b), (c), and (d). Enter the schedule, line number, and item number where the specially valued property was reported on the Form 706 filed for the decedent's estate.

Column (e). Use the same description in column (e) that the executor used for the specially valued property on the Form 706 filed for the decedent.

Column (f). Report in column (f) the date that the qualified heir disposed of the specially valued property or discontinued the qualified use.

Column (g). If the qualified heir disposed of the specially valued property in an arm's length transaction, report in column (g) the amount realized.

Arm's length transaction. An *arm's length transaction* is a transaction where there is no bargain or gift element for affection or other reasons.

Amount realized. The *amount realized* is the sum of the money received plus the FMV of property (other than money) received. For the real property taxes that must be taken into account, see section 1001(b).

If the qualified heir owned only a part of the specially valued property, report in column (g) the pro rata share of the amount realized that is allocable to the part owned by the qualified heir.

If the specially valued property is disposed of by the qualified heir in other than an arm's length transaction, or if the qualified use is discontinued by the qualified heir, report

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in column (g) the FMV of the specially valued property as of the date of disposition or cessation of qualified use.

FMV. FMV is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

For additional information and examples, see Regulations section 20.2031-1(b). If the qualified heir owned only a part of the specially valued property, report in column (g) the pro rata share of the FMV allocable to the part owned by the qualified heir.

Column (h). Report in column (h) the special-use value at the date of the decedent's death (or alternate valuation date) of the specially valued property that passed from the decedent to the qualified heir who disposed of the property or discontinued the qualified use. Use the same special-use value that the executor reported on the Form 706 filed for the decedent's estate. If the IRS has completed the audit of the estate tax return, use the agreed value rather than the reported value. If the qualified heir owned only a part of the specially valued property, report in column E the pro rata share of the special-use value allocable to the part owned by the qualified heir.

Schedule B. Involuntary Conversions or Exchanges

Involuntary conversions of qualified real property (under the rules of section 1033) and exchanges of qualified real property (under the rules of section 1031) are treated similarly when figuring the additional estate tax on Form 706-A.

The rules later apply to all qualified heirs, whether or not they made an election, for involuntary conversions and exchanges occurring after 1981.

If you are reporting an involuntary conversion or exchange, you may not use the same Form 706-A to report any cessations or other dispositions that are not involuntary conversions or exchanges. Use a separate Form 706-A for the cessations or other dispositions.

You may report conversions and exchanges together on the same return.

If there is not enough space to list all of the property, attach additional copies of Schedule B (Form 706-A), as necessary.

Nontaxable Involuntary Conversions or Exchanges

If the qualified heir reinvests all of the involuntary conversion proceeds in qualified replacement property or if the qualified heir exchanges qualified real property solely for qualified exchange property, then there is no additional estate tax.

You should complete Form 706-A, even though there is no tax, to notify the IRS that the involuntary conversion or exchange took place. However, you must complete only Part I, Schedule B (Form 706-A), and Schedule A (Form 706-A). Write "nontaxable" on line 19 of Part II.

Partially Taxable Involuntary Conversions or Exchanges

If the cost of the qualified replacement property is less than the amount realized in the involuntary conversion or if other property in addition to qualified exchange property is

received in the exchange, the conversion or exchange is partially taxable. You should complete all of Form 706-A and determine the tax using Part II.

List on Schedule A (Form 706-A) all specially valued property that the qualified heir disposed of or discontinued use of, regardless of whether the qualified heir received replacement or exchange property for it. List on Schedule B (Form 706-A) only the replacement or exchange property the qualified heir actually received.

Qualified Replacement or Exchange Property

Qualified replacement property means any real property that is to be used for the qualified use and that:

- Was acquired in an exchange that qualified under section 1031,
- Was purchased by the qualified heir within the time specified by section 1033 to replace the qualified property, or
- Is real property into which the qualified real property has been converted.

Qualified exchange property means any real property that is to be used for the same qualified use that the property for which it was exchanged was used.

The period of the decedent's or family member's ownership, qualified use, or material participation with respect to replaced or exchanged property is treated as the period of ownership, qualified use, or material participation with respect to the qualified replacement or exchange property. This applies only to that part of the FMV of the replacement or exchange property (at the date of acquisition) that does not exceed the FMV of the replaced or exchanged property (at the date of disposition).

Note. The 10-year recapture period is extended under certain circumstances. See [Two-Year Grace Period—Commencement Date](#), earlier.

How To Complete Schedule B

Column (a). Make one entry for each item of qualified replacement or exchange property.

Column (b). Describe the qualified replacement property with enough detail so that the IRS can locate and value it. For more information, see the instructions to Schedule A of Form 706.

Column (c). For an involuntary conversion, enter the cost of the replacement property. For an exchange, enter the FMV of the replacement property.

Part II—Tax Computation

Line 2

Enter the total value at the estate tax valuation date of all specially valued property that the executor elected, on the Form 706 filed for the decedent's estate, to value at actual use rather than FMV.

Line 3a

Enter the amount of the estate tax for the decedent's estate that is recomputed using FMV at the estate tax valuation date rather than actual use value. Attach a schedule showing the recomputed estate tax.

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Line 19—Additional Estate Tax

Payments made to the federal government must be processed electronically. See [IRS.gov/EO14247](#), for more information. Go to [IRS.gov/Payments](#) for more information on how to make a payment and also see *EFTPS* and *Same-day wire*, below. If you qualify for an exception, an alternative payment option (check or money order) may be permitted. See [Non-electronic payment exceptions](#), later, for more information.

EFTPS. Payment of the tax due may be submitted electronically through Electronic Federal Tax Payment System (EFTPS). EFTPS is a free service of the Department of the Treasury.

To be considered timely, payments made through EFTPS must be completed no later than 8 p.m. Eastern time the day before the due date. All EFTPS payments must be scheduled in advance of the due date and, if necessary, may be changed or canceled up to 2 business days before the scheduled payment date.

To get more information about EFTPS or to enroll in EFTPS, visit [EFTPS.gov](#) or call 800-555-4477. To contact EFTPS using Telecommunications Relay Service (TRS) for people who are deaf, hard of hearing, or have a speech disability, dial 711 and then provide the TRS assistant the 800-555-4477 number, above, or 800-733-4829. Additional information about EFTPS is available in Pub. 966, Electronic Federal Tax Payment System: A Guide to Getting Started.

Same-day wire. Payment of the tax due shown on Form 706 may be submitted electronically through same-day wire from your financial institution. Contact your financial institution for availability, cost, and time frames.

- What you need to know about making a same-day wire payment.
- You do not need to enroll to make a same-day wire payment, and no PIN is needed.
 - Your financial institution may charge a fee for this service.
 - The cutoff time to make a same-day wire payment is 5 p.m. Eastern time. Your financial institution may have an earlier cutoff time.
 - Download and complete page 1 of the Same-Day Taxpayer Worksheet, and provide pages 1 and 2 to your financial institution. See *How do I make an electronic payment* under [Frequently asked questions on estate taxes](#), on [IRS.gov](#) for the worksheet and more information.

Non-electronic payment exceptions. If you qualify for one of the exceptions below, a check or money order may still be permitted as a payment option.

1. Individuals who do not have access to banking services or electronic payment systems.
2. Certain emergency payments where electronic disbursement would cause undue hardship, as contemplated in 31 C.F.R. Part 208.
3. National security- or law enforcement-related activities where non-EFT transactions are necessary or desirable.
4. Other circumstances as determined by the Secretary of the Treasury, as reflected in regulations or other guidance.

Note. If you don't qualify for one of the exceptions above, an electronic payment option must be used to make a payment. If you do qualify for an exception above, go to [IRS.gov/](#)

[Payments/Pay-By-Check-or-Money-Order](#) for details on what needs to go on the check to mail your payments.

Schedule C. Dispositions to Family Members of the Qualified Heir

Agreement by transferee. You may enter a disposition to a family member of the qualified heir on Schedule C (Form 706-A) only if you file this Form 706-A on time (including extensions) and attach an agreement by the transferee to be personally liable for any additional estate tax under section 2032A(c) on the interest received. For a format of the agreement, see Schedule T (Form 706).

If you are not filing this Form 706-A on time, or if the transferee does not enter into the agreement, you must enter the disposition(s) on Schedule A (Form 706-A) instead of Schedule C (Form 706-A).

How To Complete Schedule C

See the instructions for completing columns (a) through (f) of Schedule A (Form 706-A) under [Schedule A. Disposition of Specially Valued Property or Cessation of Qualified Use](#), earlier.

Signature(s)

Form 706-A must be signed. The taxpayer (or person filing on the taxpayer's behalf) must verify and sign the declaration under penalties of perjury. The taxpayer may use Form 2848, Power of Attorney and Declaration of Representative, to authorize another person to act for the taxpayer before the IRS.

Paid Preparer Use Only

Generally, anyone who is paid to prepare the return must sign the return in the space provided and fill in the *Paid Preparer's Use Only* area. See section 7701(a)(36)(B) for exceptions.

In addition to signing and completing the required information, the paid preparer must give a copy of the completed return to the taxpayer.

Note. A paid preparer may sign original or amended returns by rubber stamp, mechanical device, or computer software program.

Paid Preparer Authorization

If you want to allow the IRS to discuss the tax return with the paid preparer who signed it, check the "Yes" box in the signature area of the return. This authorization applies only to the individual whose signature appears in the *Paid Preparer Use Only* section of the return. It does not apply to the firm, if any, shown in that section.

If the "Yes" box is checked, you are authorizing the IRS to call the paid preparer to answer any questions that may arise during the processing of its return. You are also authorizing the paid preparer to:

- Give the IRS any information that is missing from your return;
- Call the IRS for information about the processing of your return or the status of any refund or payment(s); and
- Respond to certain IRS notices that you may have shared with the preparer about math errors, offsets, and return preparation.

The notices will not be sent to the preparer. You are not authorizing the paid preparer to receive any refund check, bind you to anything (including any additional tax liability), or

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otherwise represent you before the IRS. If you want to expand the paid preparer’s authorization, see Pub. 947, Practice Before the IRS and Power of Attorney. However, the

authorization will automatically end no later than the due date (excluding extensions) for filing the tax return. If you want to revoke the authorization before it ends, see Pub. 947.