

GENERAL INSTRUCTIONS

The D.C. inheritance tax imposed under Chapter 19 of Title 47 of the D.C. Code is one based on the right to receive assets as a result of a decedent's death. Beneficiaries are taxed, at date-to-death values, on the assets receivable by them under some recognized theory of law. Consequently there must be filed a D.C. Inheritance Tax Return (Form FR-19) showing what the decedent owned and an Inheritance Tax Return Distribution Schedule (Form FR-19A) showing to whom such net assets are distributable.

Who must file and when: Every beneficiary of assets with a taxable situs in D.C. and with a value in excess of: \$1,000 must file his own return thereon within 6 months after the death of a decedent except: (1) he may file within 15 months on real estate passing to him by devise or descent (jointly-held realty passing by survivorship is reportable only in 6 months), and (2) the Personal Representative appointed by a probate or similar court who administers administrable assets in excess of \$1,000 before debts and expenses must, within 15 months, file on behalf of all distributees of such assets. Administrable assets are those in the sole name of the deceased or held in such a way that they pass under the will or intestate laws.

Payment: Payment of inheritance taxes reportable on a 6 months return are due 9 months after death; those on a 15 months return are due 18 months after death. Payment of estate tax reportable in 16 months are due 17 months after death. Interest accrues at the rate of one and one half percent a month after those dates even if no bill is sent before such dates.

What is taxable: Every economic benefit emanating from the decedent under the applicable property law and enjoyed or possessed as a result, or in contemplation of his death is taxable except: (1) when such benefit does not have a taxable situs in D.C. (see situs rules on page 1); and (2) life insurance not payable directly or indirectly to the insured's estate.

Where reported: The taxable assets should be listed and described along with their gross date-of-death values, in an appropriate supporting schedule (Form FR-20 or blank paper) according to the types appearing on the lead schedule (Form FR-19), and the total value of each asset type should be recorded on the appropriate line on such lead schedule. Only the fractional part of jointly-owned assets should be listed on the lead schedule unless a larger fraction there of is taxable as a transfer in contemplation of death. Jointly-owned assets should be shown in Schedule E even though they would be shown in Schedules A, B, C, or F if solely owned or if held as tenant in common. Insurance on the decedent's life should be listed in Schedule D even though it is claimed to be nontaxable (however, it would not appear on the lead schedule if nontaxable). Insurance policies owned by decedent on the lives of other persons should be listed in Schedule F at their cash surrender values.

Transfers during life: Lifetime transfers should be listed in Schedule G. They are taxable if: (1) absolute but made in contemplation of death; or (2) if made in such a manner as not to be fully complete until death. Any absolute transfer made within 2 years before death is presumed to be taxable and should be listed even though thought not to be in contemplation of death. Reasons for exclusion should shown. Joint tenancies created by the decedent within 2 years before death are also presumed to be fully taxable.

Powers of appointment: If the decedent was donee of a general power of appointment, i.e. had the right to determine by will the disposition of property, originally owned by another person, to any person he chooses or to this estate, such property is taxable and should be listed in Schedule H.

Annuities and retirement funds: Such assets should be listed in Schedule I and are taxable: (1) to extent of decedent's contributions, plus interest, if he had even a limited right, up to the time of his death, to name the beneficiary thereof; (2) at the full present value if he possessed, up to the time of his death, an unlimited right to name the beneficiary. For purposes of (1) above, his employer's contribution shall be deemed to be the contributions of the decedent. The present value of an annuity is the product of the annual payment and the present value of an annuity of \$1.00 payable each year for the term of years or for the expected remaining life of the annuitant as appropriate. See Form FR-33 (Present value tables).

Deductions: Deductions for debts and administration expenses (including the federal estate tax) are allowed to the extent to which the assets against which they are sought to be taken are legally chargeable with them. Thus, no Schedule J deductions (those for unsecured debts and expenses) are allowed against jointly held or other nonadministrable assets, except the federal estate tax, nor are they allowed against D.C. realty in the nonresident cases except to the extent that there is inadequate personalty available. Actual mortgages, deeds or trust, or other encumbrances including real estate taxes accrued to date-of-death are deductible in Schedule K at their date-of-death balances plus accrued interest thereon. In the case of an encumbrance on joint property, only the same fractional part of the date-of-death balance as the fractional part of the gross value included as an asset is deductible.

Distribution: The net taxable assets appearing in Line 15, Page 1 of the inheritance tax return should be distributed among the various takers reported on the distribution schedule. If there are more than 5 beneficiaries, use more than one such forms as necessary. List the name, address, and relationship of each beneficiary and his shares of administrable and nonadministrable estate. The distinction between the two is whether it passes under the control of a Personal Representative. Schedule A real estate should be included in the administrable share even though not sold by such Personal Representative. Distribute all assets in accordance with a recognized theory of law. When property is left to one or more persons for life or years, with remainder to other persons, divide the property among all of such beneficiaries by assigning to the life tenants or tenants for years an amount equal to 5 percent of the net value of such property times the present value factor for the appropriate age or period of years, appearing in the Table of Form FR-33; the rest of the value is divided among the remaindermen. However, if the life tenant or tenant for years be entitled to more than the income from the property, such additional amounts will be assigned to such tenant unless: (1) there is an ascertainable standard limiting such use and (2) there is submitted evidence indicating little likelihood of such use.

Death of beneficiary within 6 months: When a beneficiary dies within 6 months after the death of the decedent and did not come into possession of the inherited property before his subsequent death his will be taxed to those to those persons will ultimately take from him and will not taxed again as a result of such beneficiary-decedent's death. Thus, the names of the ultimate beneficiaries should be listed on the distribution schedule. However, the rule does not apply to any jointly-owned property.

Description: Please describe fully all assets and deductions listed in the supporting schedules (FR-20). Show how the values were determined. For real estate, show lot, square, address, and assessed value. For stocks, list number of shares, class of stock, and unit value. For bonds and notes, list marker, interest rate, face amount, maturity date, unpaid balance and whether secured. For joint property also show when property was placed in joint names and by whom. For annuities, list monthly payment and date of birth of beneficiary, if relevant. For debts and expenses, list name of creditor, nature of claim and security, if any.