



# Pioneer Bank & Trust

## Trust & Investments

### Local.

704 7th Ave, PO Box 729  
Belle Fourche, SD 57717-0729  
Phone (605) 892-3494  
Fax (605) 892-2115

2001 W Omaha St, PO Box 9189  
Rapid City, SD 57709-9189  
Phone (605) 341-2265  
Fax (605) 341-7425

140 E Jackson Blvd, PO Box 10  
Spearfish, SD 57783-0010  
Phone (605) 642-2725  
Fax (605) 642-1736

August 2016  
Ask a Trust Officer

## Portability extensions

Dear Trust Officer:

My spouse died a year ago, leaving me an estate worth several million dollars. Because the estate was less than the federal exemption amount, no federal estate tax was filed. Is that a problem?—  
*Having second thoughts*

Dear Having:

It's complicated.

Not filing the federal estate tax return for an estate less than the exemption amount (\$5.45 million in 2016) is perfectly legal. If you are confident that at your death you will also fall below the federal taxation threshold, it would be the right thing to do.

But married couples lose something if an estate tax return is not filed for the first spouse to die. What is lost is the right to elect the portability of the unused estate tax exemption. With the election, the surviving spouse can have a federal estate tax exemption of over \$10 million. Without the election the exemption will be \$5 million (plus inflation adjustments in the year of death).

Recently there has been a surge in private letter ruling requests to the IRS by persons in your situation, who are asking for an extension of time to file the estate tax return simply to make the portability election. The IRS has granted the vast majority of such requests.

If you feel that your estate might benefit from an enlarged exemption, consult with your estate planning advisors on whether to pursue such an extension for yourself.

(August 2016)  
© 2016 M.A. Co. All rights reserved.