

INSTRUCTIONS FOR ADDITIONAL ESTATE TAX RETURN

GENERAL INFORMATION:

This return must be filed for the estate of every decedent with property in California whose date of death is on or after June 8, 1982 and before January 1, 2005, if a Federal Additional Estate Tax Return (IRS Form 706-A or 706-D) is required to be filed.

This return must be filed by the qualified heir of the estate with respect to the specially valued property, even if no tax is ultimately due. Further, the qualified heir must file the Form ET-1A if there was any involuntary conversion or exchange of the specially valued property, even if the conversion or exchange is nontaxable.

Qualified Heir--The term "qualified heir" means, with respect to any property, a member of the decedent's family who acquired the property (or to whom the property passed) from the decedent. If a qualified heir disposes of any interest in qualified real property to any member of his or her family, that member shall thereafter be treated as the qualified heir with respect to the interest.

DUE DATE: The return is due and any tax liability is payable on or before six (6) months from the date of disposition or cessation. A copy of the Federal Additional Estate Tax Return (Form 706-A or 706-D) and any approved extensions must be filed with this return.

If an amended Federal Additional Estate Tax Return (Form 706-A or 706-D) is filed, an amended California Additional Estate Tax Return must immediately be filed, together with a copy of the amended Federal Additional Estate Tax Return, Form 706-A or 706-D, and payment of any additional tax plus interest.

Written notice of final determination of a Federal Additional Estate Tax that contains any adjustments must be given to the State Controller within 60 days of the determination, together with payment of any additional tax plus interest.

SPECIFIC INSTRUCTIONS:

Identify items of California property as listed on various schedules of IRS Form 706-A or 706-D.

"Property located in California" of a California resident includes: real property located in California; tangible personal property having an actual situs in California; and all intangible personal property, wherever the notes, bonds, stock certificates or other evidence, if any, of the ownership of the intangible personal property may be physically located or wherever the banks or other debtors of the decedent may be located or domiciled.

"Property located in California" of a non-resident of California who is a resident of the United States includes real property located in California and tangible personal property having an actual situs in California.

"Property located in California" of a non-resident of the United States includes: real property located in California; tangible personal property having a situs in California; and all intangible personal property in California, including all stock of a corporation organized under the laws of California or that has its principal place of business or does a major part of its business in California and all stock of a federal corporation or national bank that has its principal place of business or does the major part of its business in California, excluding, however, savings accounts in savings and loan associations operating under the authority of the Division of Savings and Loan or the Federal Home Loan Bank Board, and bank deposits, unless those deposits are held and used in connection with a business conducted or operated, in whole or in part, in California.

Line 6--A like extension to file will be granted if the Internal Revenue Service has granted an extension to file the federal estate tax return.

Line 7--An extension of time to file does not extend the payment due date and does not relieve the payment of interest. Unpaid tax accrues interest from the delinquent date of return to December 31, 1998, at 12% per annum. Subsequent to December 31, 1998, the unpaid tax bears interest at the federal rate for underpayment of tax provided in section 6621(a)(2) of the Internal Revenue Code (the federal rate). Subsequent to December 31, 2000, the entire balance bears interest at the federal rate and is compounded daily. You may access the applicable interest rates on the SCO's Web site at <http://www.sco.ca.gov>.

Line 8--If a payment is insufficient to cover the total amount due, it will be applied first to interest due, then to penalties, and then to the tax. Subsequent to December 31, 2000, all payments made will be applied to the total unpaid balance due.

PRIVACY NOTIFICATION

The Information Practices Act of 1977 (IPA), California Civil Code section 1798, and the Federal Privacy Act (FPA), United States Code sections 366-409, require the State Controller's Office (SCO) to provide the following information to individuals supplying personal or confidential information to this office.

The principal purpose for requesting Estate Tax Return information is to administer the Estate Tax Law of the State of California. This includes the determination and collection of the correct amount of tax.

The California Revenue and Taxation Code requires every individual liable for any tax imposed by the code to file an Estate Tax Return (return) according to the Estate Tax Rules and Regulations prescribed by the State Controller (§§ 13501 and 14103). Individuals filing Estate Tax Returns, statements, or other related documents are required to include their Social Security numbers to provide proper identification and to permit processing of the declarations.

Furnishing all the appropriate information requested on the return and any related data is mandatory. Failure to provide all or part of the requested information may result in the disallowance of claimed exemptions, exclusions, credits, deductions, or adjustments, resulting in increased tax liability, loss or delay in issuance of a refund for overpayment, interest charges on unpaid taxes, and other disadvantages to the taxpayer.

Information furnished on the return may be transferred to other governmental agencies as authorized by law [IPA §§ 1798.24 (e), (f) and (p) (i.e., the U.S. Internal Revenue Service and the State Franchise Tax Board)] and may be examined by other local, state and/or federal officials charged with the administration of any tax law.

For those individuals with outstanding tax liabilities, the total amount due may be disclosed to employers, financial institutions, and/or county agencies for the purpose of collecting the amount owed.

This will be the principal notification under the Information Practices Act and Executive Order No. B-22-76 (1977) concerning the solicitation of information in connection with any tax return or tax liability of an individual.

Individuals have the right to review their own records maintained by the State Controller's Office, Local Government Programs and Services Division, Bureau of Tax Administration and Government Compensation.