

For an example of an agreement containing some of the same terms, see Part 3 of Schedule A-1 (Form 706).

Line 10

Enter the total value of the qualified conservation easements on which the exclusion is based. This could include easements granted by the decedent (or someone other than the decedent) prior to the decedent's death, easements granted by the decedent that take effect at death, easements granted by the executor after the decedent's death, or some combination of these.



Use the value of the easement as of the date of death, even if the easement was granted prior to the date of death. But, if the value of the easement was different at the time the easement was contributed than at the date of death, see the Caution at the beginning of the Schedule U Instructions.

Explain how this value was determined and attach copies of any appraisals. Normally, the appropriate way to value a conservation easement is to determine the FMV of the land both before and after the granting of the easement, with the difference being the value of the easement.

Reduce the reported value of the easement by the amount of any consideration received for the easement. If the date of death value of the easement is different from the value at the time the consideration was received, reduce the value of the easement by the same proportion that the consideration received bears to the value of the easement at the time it was granted. For example, assume the value of the easement at the time it was granted was \$100,000 and \$10,000 was received in consideration for the easement. If the easement was worth \$150,000 at the date of death, you must reduce the value of the easement by \$15,000 ($\$10,000/\$100,000 \times \$150,000$) and report the value of the easement on line 10 as \$135,000.

Line 15

If a charitable contribution deduction for this land has been taken on Schedule O, enter the amount of the deduction here. If the easement was granted after the decedent's death, a contribution deduction may be taken on Schedule O, if it otherwise qualifies, as long as no income tax deduction was or

will be claimed for the contribution by any person or entity.

Line 16

Reduce the value of the land by the amount of any acquisition indebtedness on the land at the date of the decedent's death. Acquisition indebtedness includes the unpaid amount of:

- Any indebtedness incurred by the donor in acquiring the property;
- Any indebtedness incurred before the acquisition if the indebtedness would not have been incurred but for the acquisition;
- Any indebtedness incurred after the acquisition if the indebtedness would not have been incurred but for the acquisition and the incurrence of the indebtedness was reasonably foreseeable at the time of the acquisition; and
- The extension, renewal, or refinancing of acquisition indebtedness.

Schedule PC—Protective Claim for Refund

A protective claim for refund preserves the estate's right to a refund of tax paid on any amount included in the gross estate which would be deductible under section 2053 but has not been paid or otherwise will not meet the requirements of section 2053 until after the limitations period for filing the claim has passed. See section 6511(a).



Only use Schedule PC for section 2053 protective claims for refund being filed with Form 706. If the initial notice of the protective claim for refund is being submitted after Form 706 has been filed, use Form 843, Claim for Refund and Request for Abatement, to file the claim.

Schedule PC may be used to file a section 2053 protective claim for refund by estates of decedents who died after December 31, 2011. It will also be used to inform the IRS when the contingency leading to the protective claim for refund is resolved and the refund due the estate is finalized. The estate must indicate whether the Schedule PC being filed is the initial notice of protective claim for refund, notice of partial claim for refund, or notice of the final resolution of the claim for refund.

Because each separate claim or expense requires a separate Schedule PC, more than one Schedule PC may be included with Form 706, if applicable. Two copies of each Schedule PC must be included with Form 706.

Note. Filing a section 2053 protective claim for refund on Schedule PC will not suspend the IRS' review and examination of Form 706, nor will it delay the issuance of a closing letter for the estate.

Initial Notice of Claim

The first Schedule PC to be filed is the initial notice of protective claim for refund. The estate will receive a written acknowledgment of receipt of the claim from the IRS. If the acknowledgment is not received within 180 days of filing the protective claim for refund on Schedule PC, the fiduciary should contact the IRS at (866) 699-4083 to inquire about the receipt and processing of the claim. A certified mail receipt or other evidence of delivery is not sufficient to confirm receipt and processing of the protective claim for refund.

Note. The written acknowledgment of receipt does not constitute a determination that all requirements for a valid protective claim for refund have been met.

In general, the claim will not be subject to substantive review until the amount of the claim has been established. However, a claim can be disallowed at the time of filing. For example, the claim for refund will be rejected if:

- The claim was not timely filed;
- The claim was not filed by the fiduciary or other person with authority to act on behalf of the estate;
- The acknowledgment of the penalties of perjury statement (on page 1 of Form 706) was not signed; or,
- The claim is not adequately described.

If the IRS does not raise such a defect when the claim is filed, it will not be precluded from doing so in the later substantive review.

The estate may be given an opportunity to cure any defects in the initial notice by filing a corrected and signed protective claim for refund before the expiration of the limitations period in section 6511(a) or within 45 days of notice of the defect, whichever is later.

Related Ancillary Expenses

If a Section 2053 protective claim for refund has been adequately identified on Schedule PC, the IRS will presume that the claim includes certain expenses related to resolving, defending or satisfying the claim. These ancillary expenses may include attorneys' fees, court costs, appraisal fees, and

accounting fees. The estate is not required to separately identify or substantiate these expenses; however, each expense must meet the requirements of section 2053 to be deductible.

Notice of Final Resolution of Claim

When an expense that was the subject of a section 2053 protective claim for refund is finally determined, the estate must notify the IRS that the claim for refund is ready for consideration. The notification should provide facts and evidence substantiating the deduction under section 2053 and the resulting recomputation of the estate tax liability. A separate notice of final resolution must be filed with the IRS for each resolved section 2053 protective claim for refund.

There are two means by which the estate may notify the IRS of the resolution of the uncertainty that deprived the estate of the deduction when Form 706 was filed. The estate may file a supplemental Form 706 with an updated Schedule PC and including each schedule affected by the allowance of the deduction under section 2053. Page 1 of Form 706 should contain the notation "Supplemental Information – Notification of Consideration of Section 2053 Protective Claim(s) for Refund" and include the filing date of the initial notice of protective claim for refund. A copy of the initial notice of claim should also be submitted.

Alternatively, the estate may notify the IRS by filing an updated Form 843, Claim for Refund and Request for Abatement. Form 843 must contain the notation "Notification of Consideration of Section 2053 Protective Claim(s) for Refund," including the filing date of the initial notice of protective claim for refund, on page 1. A copy of the initial notice of claim must also be submitted.

The estate should notify the IRS of resolution within 90 days of the date the claim or expense is paid or the date on which the amount of the claim becomes certain and no longer subject to contingency, whichever is later. Separate notifications must be submitted for every section 2053 protective claim for refund that was filed.

If the final section 2053 claim or expense involves multiple or recurring payments, the 90-day period begins on the date of the last payment. The estate

may also notify the IRS (not more than annually) as payments are being made and possibly qualify for a partial refund based on the amounts paid through the date of the notice.

Specific Instructions

Part 1. General Information

Complete Part 1 by providing information that is correct and complete as of the time Schedule PC is filed. If filing an updated Schedule PC with a supplemental Form 706 or as notice of final resolution of the protective claim for refund, be sure to update the information from the original filing to ensure that it is accurate. Be particularly careful to verify that contact information (addresses and telephone numbers) and the reason for filing Schedule PC are indicated correctly. If the fiduciary is different from the executor identified on page 1 of Form 706 or has changed since the initial notice of protective claim for refund was filed, attach letters testamentary, letters of administration, or similar documentation evidencing the fiduciary's authority to file the protective claim for refund on behalf of the estate. Include a copy of Form 56, Notice Concerning Fiduciary Relationship, if it has been filed.

Part 2. Claim Information

For a protective claim for refund to be properly filed and considered, the claim or expense forming the basis of the potential 2053 deduction must be clearly identified. Using the check boxes provided, indicate whether you are filing the initial claim for refund, a claim for partial refund or a final claim. On the chart in Part 2, give the Form 706 schedule and item number of the claim or expense. List any amounts claimed under exceptions for ascertainable amounts (Regulations section 20.2053-1(d)(4)), claims and counterclaims in related matters (Regulations section 20.2053-4(b)), or claims under \$500,000 (Regulations section 20.2053-4(c)). Provide all relevant information as described including, most importantly, an explanation of the reasons and contingencies delaying the actual payment to be made in satisfaction of the claim or expense. Complete columns E and F only if filing a notice of partial or final resolution. Show the amount of ancillary or related expenses to be included in the claim for refund and indicate whether this amount is estimated, agreed upon, or has been

paid. Also show the amount being claimed for refund.

Note. If you made partial claims for a recurring expense, the amount presently claimed as a deduction under section 2053 will only include the amount presently claimed, not the cumulative amount.

Part 3. Other Schedules PC and Forms 843 Filed by the Estate

On the chart in Part 3, provide information on other protective claims for refund that have been previously filed on behalf of the estate (if any), whether on other Schedules PC or on Form 843. When the initial claim for refund is filed, only information from Form(s) 843 need be included in Part 3. However, when filing a partial or final claim for refund, complete Part 3 by including the status of all claims filed by or on behalf of the estate, including those filed on other Schedules PC with Form 706. For each such claim, give the place of filing, date of filing and amount of the claim.

Continuation Schedule

When you need to list more assets or deductions than you have room for on one of the main schedules, use the Continuation Schedule at the end of Form 706. It provides a uniform format for listing additional assets from Schedules A through I and additional deductions from Schedules J, K, L, M, and O.

Please remember to:

- Use a separate Continuation Schedule for each main schedule you are continuing. Do not combine assets or deductions from different schedules on one Continuation Schedule.
- Make copies of the blank schedule before completing it if you expect to need more than one.
- Use as many Continuation Schedules as needed to list all the assets or deductions.
- Enter the letter of the schedule you are continuing in the space at the top of the Continuation Schedule.
- Use the Unit value column **only** if continuing Schedule B, E, or G. For all other schedules, use this space to continue the description.
- Carry the total from the Continuation Schedules forward to the appropriate line on the main schedule.

If continuing	Report	Where on Continuation Schedule
Schedule E, Pt. 2	Percentage includible	Alternate valuation date
Schedules J, L, M	Continued description of deduction	Alternate valuation date and Alternate value
Schedule O	Character of institution	Alternate valuation date and Alternate value
Schedule O	Amount of each deduction	Amount deductible

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. Subtitle B and section 6109, and the regulations require you to provide this information.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential as required by section 6103. However, section 6103 allows or requires the Internal Revenue Service to disclose information from this form in certain circumstances. For example, we may disclose information to the Department of Justice for civil or criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths or possessions for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal non-tax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. Failure to provide this information, or providing false information, may subject you to penalties.

The time needed to complete and file this form and related schedules will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to the IRS
706	1 hr., 25 min.	1 hr., 50 min.	3 hr., 42 min.	48 min.
Schedule A	- - - -	15 min.	12 min.	20 min.
Schedule A-1	33 min.	31 min.	1 hr., 15 min.	1 hr., 3 min.
Schedule B	19 min.	9 min.	16 min.	20 min.
Schedule C	19 min.	1 min.	13 min.	20 min.
Schedule D	6 min.	6 min.	13 min.	20 min.
Schedule E	39 min.	6 min.	36 min.	20 min.
Schedule F	26 min.	8 min.	18 min.	20 min.
Schedule G	26 min.	21 min.	12 min.	13 min.
Schedule H	26 min.	6 min.	12 min.	13 min.
Schedule I	13 min.	30 min.	15 min.	20 min.
Schedule J	26 min.	6 min.	16 min.	20 min.
Schedule K	13 min.	9 min.	18 min.	20 min.
Schedule L	13 min.	4 min.	15 min.	20 min.
Schedule M	13 min.	34 min.	25 min.	20 min.
Schedule O	19 min.	12 min.	21 min.	20 min.
Schedule P	6 min.	15 min.	18 min.	13 min.
Schedule Q	- - - -	12 min.	15 min.	13 min.
Worksheet for Schedule Q	6 min.	6 min.	58 min.	20 min.
Schedule R	19 min.	45 min.	1 hr., 10 min.	48 min.
Schedule R-1	6 min.	46 min.	35 min.	20 min.
Schedule U	19 min.	26 min.	29 min.	20 min.
Schedule PC	- - - -	2 min.	12 min.	20 min.
Continuation Schedule	19 min.	1 min.	13 min.	20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can send us comments from www.irs.gov/formspubs/. Click on "More Information" and then on "Give us feedback." You can also send your comments to the Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the tax form to this address. Instead, see Where To File.