property. If such is the case, the total amount of the credits with respect to such property is limited to the amount of the Federal estate tax attributable to the property, determined in accordance with the rules prescribed for computing the “second limitation” set forth in §20.2014–3. The application of this section may be illustrated by the following example:

Example. The decedent, a citizen of the United States and a domiciliary of Country X at the time of his death on May 1, 1967, left a taxable estate which included bonds issued by Country Z and physically located in Country X. Each of the three countries involved imposed death taxes on the Country Z bonds. Assume that under the provisions of a treaty between the United States and Country X the estate is entitled to a credit against the Federal estate tax for death taxes imposed by Country X on the bonds in the maximum amount of $20,000. Assume, also, that since the decedent died after November 13, 1966, so that under the situs rules referred to in paragraph (a)(3) of §20.2014–1 the bonds are deemed to have their situs in Country Z, the estate is entitled to a credit against the Federal estate tax for death taxes imposed by Country Z on the bonds in the maximum amount of $10,000. Finally, assume that the Federal estate tax attributable to the bonds is $25,000. Under these circumstances, the credit allowed the estate with respect to the bonds would be limited to $25,000.


§ 20.2014–5 Proof of credit.

(a) If the foreign death tax has not been determined and paid by the time the Federal estate tax return required by section 6018 is filed, credit may be claimed on the return in an estimated amount. However, before credit for the foreign death tax is finally allowed, satisfactory evidence, such as a statement by an authorized official of each country, possession or political subdivision thereof imposing the tax, must be submitted on Form 706CE certifying:

(1) The full amount of the tax (exclusive of any interest or penalties), as computed before allowance of any credit, remission, or relief;

(2) The amount of any credit, allowance, remission, or relief, and other pertinent information, including the nature of the allowance and a description of the property to which it pertains;

(3) The net foreign death tax payable after any such allowance;

(4) The date on which the death tax was paid, or if not all paid at one time, the date and amount of each partial payment; and

(5) A list of the property situated in the foreign country and subjected to its tax, showing a description and the value of the property.

Satisfactory evidence must also be submitted showing that no refund of the death tax is pending and none is authorized or, if any refund is pending or has been authorized, its amount and other pertinent information. See also section 2016 and §20.2016–1 for requirements if foreign death taxes claimed as a credit are subsequently recovered.

(b) The following information must also be submitted whenever applicable:

(1) If any of the property subjected to the foreign death tax was situated outside of the country imposing the tax, the description of each item of such property and its value.

(2) If more than one inheritance or succession is involved with respect to which credit is claimed, or if the foreign country, possession or political subdivision thereof imposes more than one kind of death tax, or if both the foreign country and a possession or political subdivision thereof each imposes a death tax, a separate computation with respect to each inheritance or succession tax.

(c) In addition to the information required under paragraphs (a) and (b) of this section, the district director may require the submission of any further proof deemed necessary to establish the right to the credit.

§ 20.2014–6 Period of limitations on credit.

The credit for foreign death taxes under section 2014 is limited to those taxes which were actually paid and for which a credit was claimed within four years after the filing of the estate tax return for the decedent’s estate. If, however, a petition has been filed with the Tax Court of the United States for the redetermination of a deficiency within the time prescribed in section 6213(a), the credit is limited to those


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§ 20.2014–7 Limitation on credit if a deduction for foreign death taxes is allowed under section 2053(d).

A deduction for foreign death taxes paid with respect to a charitable gift, the credit for foreign death taxes is subject to special limitations. If a claim for refund based on the credit for foreign death taxes is filed within the applicable period described in this section, a refund may be made despite the general limitation provisions of sections 6511 and 6512. Any refund based on the credit for foreign death taxes shall be made without interest.

Example. The decedent, a citizen of the United States, died July 1, 1955, leaving a gross estate of $1,200,000 consisting of: Shares of stock issued by United States corporations, valued at $600,000; bonds issued by the United States Government physically located in the United States, valued at $300,000; and shares of stock issued by a Country X corporation, valued at $300,000. Expenses, indebtedness, etc., amounted to $40,000. The decedent made specific bequests of $40,000 of the United States corporation stock to a niece and $100,000 of the Country X corporation stock to a nephew. The residue of his estate was left to charity. There is no death tax convention in existence between the United States and Country X. The Country X tax imposed was at a 50-percent rate on all beneficiaries. A State inheritance tax of $20,000 was imposed on the niece and nephew. The decedent did not provide in his will for the payment of the death taxes, and under local law the Federal estate tax is payable from the general estate, the same as administration expenses.

\[
\text{Gross estate} \quad \$1,200,000.00 \\
\text{Debts and charges} \quad $40,000.00 \\
\text{Bequest of U.S. corporation stock to niece} \quad 400,000.00 \\
\text{Bequest of Country X corporation stock to nephew} \quad 100,000.00 \\
\text{Net Federal estate tax} \quad 136,917.88
\]

\[
\frac{100,000 + 200,000 (\text{factor } D)}{661,082.12 + 200,000 \cdot 0.5} = 0.67691788 
\]

\[
\text{DISTRIBUTION OF THE ESTATE} \\
\text{Gross estate} \quad $1,200,000.00 \\
\text{Debts and charges} \quad $40,000.00 \\
\text{Bequest of U.S. corporation stock to niece} \quad 400,000.00 \\
\text{Bequest of Country X corporation stock to nephew} \quad 100,000.00 \\
\text{Net Federal estate tax} \quad 136,917.88
\]

\[
\text{Residue before Country X tax} \quad 523,082.12 \\
\text{Country X succession tax on charity} \quad 100,000.00 \\
\text{Charitable deduction} \quad 423,082.12
\]

\[
\text{TAXABLE ESTATE AND FEDERAL ESTATE TAX} \\
\text{Gross estate} \quad 1,200,000.00 \\
\text{Debts and charges} \quad 40,000.00 \\
\text{Deduction of foreign death tax under section 2053(d)} \quad 100,000.00 \\
\text{Charitable deduction} \quad 423,082.12 \\
\text{Exemption} \quad 60,000.00
\]

\[
\text{Net Federal estate tax} \quad 676,917.88 \\
\text{Taxable estate} \quad 576,917.88 \\
\text{Gross estate tax} \quad 172,621.26 \\
\text{Credit for State death taxes} \quad 15,476.72
\]

\[
\text{Gross estate tax less credit for State death taxes} \quad 157,144.54 \\
\text{Credit for foreign death taxes} \quad 20,226.66 \\
\text{Net Federal estate tax} \quad 136,917.88
\]

\[
\text{CREDIT FOR FOREIGN DEATH TAXES} \\
\text{COUNTRY X TAX} \\
\text{Succession tax on nephew:} \\
\text{Value of stock of Country X corporation} \quad 100,000.00 \\
\text{Tax (50% rate)} \quad 50,000.00
\]

\[
\text{Succession tax on charity:} \\
\text{Value of stock of Country X corporation} \quad 200,000.00 \\
\text{Tax (50% rate)} \quad 100,000.00
\]

\[
\text{COMPUTATION OF EXCLUSION UNDER SECTION 2014(b)} \\
\text{Value of situated in Country X} \quad 300,000.00 \\
\text{Value of property in respect of which a deduction is allowed under section 2053(d)} \quad 200,000.00 \\
\text{Value of property situated within Country X, subject to tax, and included in gross estate as limited by section 2014(f)} \quad 100,000.00
\]

\[
\text{FIRST LIMITATION, § 28.2014–2(a)} \\
\text{\$100,000 (factor C of the ratio stated at § 20.2014–2(a)) + \$100,000 + \$200,000 (factor D)}
\]