



November 3, 2023

Mr. Andres Garcia
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Ms. Karleen Lesho
Chief, Branch 4 (Estate & Gift)
Office of Chief Counsel,
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Internal Revenue Service
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RE: OMB Control Number 1545–0015 Regarding Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, and Schedule R-1 (Form 706)

Dear Mr. Garcia and Ms. Lesho:

On behalf of the American Institute of CPAs (AICPA), we are writing in response to the request for comment in [OMB Control Number 1545-0015 – Regarding Form 706, United States Estate \(and Generation-Skipping Transfer\) Tax Return, and Schedule R-1 \(Form 706\)](#) (dated September 7, 2023). We are providing to the Department of the Treasury (“Treasury”) and the Internal Revenue Service (IRS) issues and recommendations for improvements to the [Form 706](#), United States Estate (and Generation-Skipping Transfer) Tax Return (Rev. August 2019), and [Schedule R-1](#) (Form 706) (Rev. August 2019), and [instructions](#) (Rev. September 2023) and extensions, as well as guidance and regulations updates if Treasury and the IRS find that the issues are beyond changes to the form and instructions. Our recommendations will simplify filing for taxpayers and practitioners and will reduce the administrative burden on the IRS as well.

Executors use Form 706 to report and compute the Federal estate tax imposed by section¹ 2001 and the Federal generation skipping transfer tax (GSTT), imposed by section 2601. The IRS uses the information to enforce these taxes and to verify that the tax has been properly computed. Schedule R–1 (Form 706) serves as a payment voucher for the GSTT imposed on a direct skip from a trust, which the trustee of the trust, must pay.

Our recommendations for improvements to Form 706, Schedule R-1, instructions, and extensions are:

1. Add a column to Form 706, Schedule R – Generation-Skipping Transfer Tax, line 9, to indicate ordering of the allocation of generation-skipping tax (GST) exemption to trusts.

¹ Unless otherwise indicated, hereinafter, all section references to the Internal Revenue Code of 1986, as amended, or to the Treasury Regulations promulgated thereunder.

2. Provide clarity on what is included in “other charges born by the property interests listed above” on Form 706, Schedule R, Part 2, line 2; Form 706, Schedule R, Part 3, line 2; and Schedule R-1, Part 1, line 2.
3. Provide clarity and examples on how to calculate “GST taxes born by the property interests listed above but imposed on direct skips other than those shown on this Part 2 (and Part 3)” on Form 706, Schedule R, Parts 2 and 3, line 3.
4. Include the line 7 worksheet information on a separate form, similar to the Form 706 PC, that taxpayers can attach only if applicable and there is a need to attach it.

Specific Comments

- 1. Add a column to Form 706, Schedule R – Generation-Skipping Transfer Tax, line 9, to indicate ordering of the allocation of GST exemption to trusts.**

Background

Currently, taxpayers must indicate the ordering of GST exemption applied at death on a separate exhibit or attachment. Schedule R does not provide for the ordering of the allocation of GST exemption.

Recommendation

We recommend that the IRS add an additional column to Form 706, Schedule R, line 9, indicating the ordering of the allocation of GST exemption to various trusts.

Analysis

This new column would provide a much-needed place for taxpayers to clearly specify the ordering of the allocation of GST exemption, thus preventing inadvertent misallocations and ensuring that the GST exemption is utilized in accordance with the taxpayer’s intentions. It would also streamline the IRS review process benefiting both taxpayers and the IRS alike.

- 2. Provide clarity on what is included in “other charges born by the property interests listed above” on Form 706, Schedule R, Part 2, line 2; Form 706, Schedule R, Part 3, line 2; and Schedule R-1, Part 1, line 2.**

Background

The term “other charges born by the property interests listed above” is not defined in the Form 706 instructions. Currently, the lack of clarity could lead to inconsistent interpretations and potential errors in reporting.

Recommendation

We recommend the IRS provide more explicit guidance and clarification regarding the term “other charges born by the property interests listed above” on Form 706, Schedule R, Part 2, line 2; Form 706, Schedule R, Part 3, line 2; and Schedule R-1, Part 1, line 2.

Analysis

By specifying and defining what should be included under this category, the IRS can enhance transparency, reduce the potential for misinterpretation, and promote accurate reporting.

- 3. Provide clarity and examples on how to calculate “GST taxes born by the property interests listed above but imposed on direct skips other than those shown on this Part 2 (and Part 3)” on Form 706, Schedule R, Parts 2 and 3, line 3.**

Background

It is difficult for taxpayers to understand what is meant by “GST taxes born by the property interests listed above but imposed on direct skips other than those shown on this Part 2 (and Part 3).” The current instructions lack explicit details and examples, which can lead to misinterpretations and potential errors in calculating the GSTT liability.

Recommendation

To improve the understanding and accuracy of calculating the GSTT on Form 706 Schedule R, Parts 2 and 3, we recommend the IRS provide clear definitions of the components in the calculation and offer detailed examples to ensure comprehensive understanding.

Analysis

Providing clarity and examples will allow for enhanced accuracy in the calculation of the GSTT on Form 706, Schedule R, Parts 2 and 3.

- 4. Include the line 7 worksheet information on a separate form, similar to the Form 706 PC, that taxpayers can attach only if applicable and there is a need to attach it.**

Background

Page 8 of Form 706 instructions is a line 7 worksheet that taxpayers are to submit with the Form 706.

Recommendation

We recommend that instead of including the line 7 worksheet information in the instructions, IRS should include the line 7 worksheet information on a separate form, similar to the Form 706 PC, that taxpayers can attach only if applicable and there is a need to attach it.

Analysis

Taxpayers often receive IRS notices if the line 7 worksheet information is not attached to the Form 706. It would provide more taxpayer awareness, consistency, and ease the administrative burden on taxpayers and IRS to have an IRS form to attach to the return rather than consume 3 pages in the instructions for the line 7 worksheet information and require taxpayers to copy that information into a statement to attach to the return.

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The AICPA is the world's largest member association representing the CPA profession, with more than 421,000 members in the United States and worldwide, and a history of serving the public interest since 1887. Our members advise clients on federal, state and international tax matters and prepare income and other tax returns for millions of Americans. Our members provide services to individuals, not-for-profit organizations, small and medium-sized businesses, as well as America's largest businesses.

We appreciate your consideration of our recommendations and welcome the opportunity to discuss our comments. If you have any questions, please contact Irene Estrada, Chair, AICPA Trust, Estate, and Gift Tax Technical Resource Panel, at (703) 628-5243 or Irene.C.Estrada@pwc.com; Eileen Sherr, AICPA Director – Tax Policy & Advocacy, at (202) 434-9256 or Eileen.Sherr@aicpa-cima.com; or me at (830) 372-9692 or bvickers@alamo-group.com.

Sincerely,



Blake Vickers, CPA
Chair, AICPA Tax Executive Committee

cc: Ms. Catherine Hughes, Estate and Gift Tax Attorney-Advisor, Office of Tax Legislative Counsel, Office of Tax Policy, Department of the Treasury
Ms. Holly Porter, Associate Chief Counsel, Passthrough & Special Industries, Internal Revenue Service
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