



September 13, 2022

Mr. Andres Garcia
Internal Revenue Service, Room 6526
1111 Constitution Avenue, NW
Washington, DC 20224
omb.unit@irs.gov

Ms. Melissa C. Liquerman
Chief, Branch 4 (Estate & Gift)
Office of Chief Counsel,
Passthroughs and Special Industries
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20044
melissa.c.liquerman@irscounsel.treas.gov

RE: OMB Number 1545-1145-Generation-Skipping Transfer Tax Return For Terminations and Recommendations for Improvements to Form 706-GS(T), Generation-Skipping Transfer Tax Return for Terminations, and Instructions and Extensions

Dear Mr. Garcia and Ms. Liquerman:

On behalf of the American Institute of CPAs (AICPA), we are writing in response to the request for comment in [OMB Number 1545-1145-Generation-Skipping Transfer Tax Return](#) (dated 7/15/22). We are providing to the Department of the Treasury (“Treasury”) and the Internal Revenue Service (IRS) examples and recommendations for improvements to the [Form 706-GS\(T\)](#), Generation-Skipping Transfer Tax Return for Terminations, and [instructions](#) and extensions, as well as guidance and regulations updates if Treasury and 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 IRS as well.

The Form 706-GS(T) is used by trustees to compute and report the tax due on generation-skipping transfers that result from the termination of interests in a trust. The IRS uses the information to verify that the tax has been properly computed.

Our recommendations for improvements to Form 706-GS(T) and instructions and extensions are:

1. Revise and clarify Form 706-GS(T) and instructions for qualified severances or create a new form for reporting qualified severances.¹
2. Instead of Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns, for extending Form 706-GS(T) and Form 706-GS(D), Generation-Skipping Transfer Tax Return for Distributions, revise and clarify Form 4768, Application for Extension of Time to File a Return and/or Pay U.S. Estate (and Generation-Skipping Transfer) Taxes, and the instructions to include Forms 706-GS(T) and 706-GS(D).

¹ Included in previously submitted IRS comments. See page 22, item 13 in the Trust, Estate, and Gift Tax Technical Resource Panel [AICPA comments](#), “Recommendations for the 2022-2023 Guidance Priority List ([Notice 2022-21](#)),” May 24, 2022.

Specific Comments

1. Revise and clarify Form 706-GS(T) and instructions for qualified severances or create a new form for reporting qualified severances.

Background

Form 706-GS(T) is used to report the tax due from the termination of interests in a trust. The same form is also used to report a qualified severance under section 2642(a)(3)(B)(i) and Treas. Reg. § 26.2642-6(e)(1).² The regulation states that the filer should write “Qualified Severance” at the top of Form 706-GS(T) (or such other form as may be provided from time to time by the IRS for purposes of reporting a qualified severance) and attach a notice of qualified severance to include information regarding the severance.

Currently, the Form 706-GS(T) does not provide a place for inputs to satisfy the reporting requirements set forth in Treas. Reg. § 26.2642-6(e)(1) (listed below) to report a qualified severance and taxpayers need to attach a statement to the return that the IRS needs to process.

Specifically, currently Form 706-GS(T) does not provide an area to report the following:

- Notice of qualified severance.
- Information concerning the original trust that was severed, including: (i) the name of the transferor; (ii) the name and date of creation of the original trust; (iii) the tax identification number of the original trust; and (iv) the inclusion ratio before the severance.
- Information concerning each new trust, including: (i) the name and tax identification number of the trust; (ii) the date of severance; (iii) the fraction of the total assets of the original trust received by the resulting trust; (iv) other details explaining the basis for the funding of the resulting trust; and (v) the inclusion ratio.

Recommendation

Treasury and IRS should revise Form 706-GS(T) to include the requirements set forth by section 2642(a)(3) and Treas. Reg. § 26.2642-6(e) for reporting a qualified severance, or create a new form specifically designed to report qualified severances of generation-skipping transfer trusts.

² Unless otherwise indicated, references to a “section” are to a section of the Internal Revenue Code of 1986, as amended (the “Code”), and references to a “Treas. Reg. §” are to the Treasury regulations promulgated under the Code.

Analysis

A qualified severance of a GST trust is currently reported on Form 706-GS(T), a form that is designed for reporting taxable terminations of GST trusts. Reporting a qualified severance on this form requires the filer to include the requirements stipulated in Treas. Reg. § 26.2642-6(e) on a separate attachment.

A new form, specifically for the purpose of reporting a qualified severance under section 2642(a)(3), would allow taxpayers to better meet the requirements imposed by the regulations. It would also save IRS processing time in dealing with and reviewing various types of attachments that are created by taxpayers.

- 2. Instead of Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns, for extending Form 706-GS(T) and Form 706-GS(D), Generation-Skipping Transfer Tax Return for Distributions, revise and clarify Form 4768, Application for Extension of Time to File a Return and/or Pay U.S. Estate (and Generation-Skipping Transfer) Taxes, and the instructions to include Forms 706-GS(T) and 706-GS(D).**

Background

Form 706-GS(T) and [Form 706-GS\(D\)](#), Generation-Skipping Transfer Tax Return for Distributions, are extended by filing [Form 7004](#), Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns.

Form 4768, Application for Extension of Time To File a Return and/or Pay U.S. Estate (and Generation-Skipping Transfer) Taxes, currently provides check boxes in Part II for the taxpayer to choose the form for which extension of time to file is being requested, either [Form 706](#), United States Estate (and Generation-Skipping Transfer) Tax Return, [Form 706-A](#), United States Additional Estate Tax Return, [Form 706-NA](#), United States Estate (and Generation-Skipping Transfer) Tax Return Estate of nonresident not a citizen of the United States, or [Form 706-QDT](#), U.S. Estate Tax Return for Qualified Domestic Trusts.

Forms 706-GS(T) and 706-GS(D) are iterations of Form 706, but currently, they are not extended by using Form 4768. Forms 706-GS(T) and 706-GS(D) deal with the generation-skipping transfer tax and should logically be extended on Form 4768, which, in its title, specifies that it extends the time to file a return and/or pay U.S. estate (and generation-skipping transfer) taxes. If a taxpayer wishes to extend Forms 706-GS(T) or 706-GS(D) and apply for an extension of time to file and an extension of time to pay under section 6161, they must file both Form 7004 to extend the time to file and Form 4768 to extend the time to pay.

Mr. Andres Garcia
Ms. Melissa C. Liquerman
September 13, 2022
Page 4 of 5

Recommendation

Treasury and IRS should revise Form 4768 and its instructions to include additional check boxes under Part II to extend Form 706-GS(T) and Form 706-GS(D).

Analysis

By adding two more check boxes to Part II of Form 4768, the forms related to GST could all be extended on one form, eliminating confusion for the filer. Adding the Form 706-GS(T) and Form 706-GS(D) extensions to Form 4768 rather than Form 7004 is more logical and will help to alleviate confusion surrounding the extension process. Including Form 706-GS(T) and Form 706-GS(D) on the Form 4768 would simplify the filing process for taxpayers and reduce the administrative burden for IRS for taxpayers needing to extend and pay tax (under section 6161) for Forms 706-GS(T) or 706-GS(D), as they would only have to file one form rather than currently two forms - Form 7004 to extend the time to file and Form 4768 to extend the time to pay, and IRS having to process both forms.

* * * * *

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 (601) 326-7119 or JanLewis@HaddoxReid.com.

Sincerely,



Jan Lewis, 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

Mr. Andres Garcia
Ms. Melissa C. Liquerman
September 13, 2022
Page 5 of 5

Ms. Holly Porter, Associate Chief Counsel, Passthrough & Special Industries, Internal Revenue Service

Ms. Karlene Lesho, Senior Technician Reviewer, Office of Associate Chief Counsel, Passthroughs & Special Industries (Estate & Gift), Internal Revenue Service

Ms. Leslie H. Finlow, Senior Technician Reviewer, Office of Associate Chief Counsel, Passthroughs & Special Industries (Estate & Gift), Internal Revenue Service

Mr. Daniel Gespass , Attorney, Office of Associate Chief Counsel, Passthroughs & Special Industries, Branch 4 (Estate & Gift), Internal Revenue Service