Note: *The draft you are looking for begins on the next page.*

Caution: DRAFT—NOT FOR FILING

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information. **Do not file draft forms.** We incorporate all significant changes to forms posted with this coversheet.

However, unexpected issues occasionally arise, or legislation is passed—in this case, we will post a new draft of the form to alert users that changes were made to the previously posted draft. Thus, there are never any changes to the last posted draft of the form and the final revision of the form. Forms and instructions are subject to OMB approval before they can be officially released, so we post drafts of them until they are approved. Drafts of instructions and publications usually have some additional changes before their final release. Early release drafts are posted at IRS.gov/DraftForms and remain there after the final release is posted at IRS.gov/LatestForms. Also see IRS.gov/Forms.

Most forms and publications have a page on IRS.gov: IRS.gov/Form1040 for Form 1040; IRS.gov/Pub501 for Pub. 501; IRS.gov/W4 for Form W-4; and IRS.gov/ScheduleA for Schedule A (Form 1040), for example, and similarly for other forms, publications, and schedules for Form 1040. When typing in a link, type it into the address bar of your browser, not a Search box on IRS.gov.

If you wish, you can submit comments to the IRS about draft or final forms, instructions, or publications at IRS.gov/FormsComments. Include "NTF" followed by the form or publication number (for example, "NTF1040", "NTFW4", "NTF501", etc.) in the body of the message to route your message properly. We cannot respond to all comments due to the high volume we receive and may not be able to consider many suggestions until the subsequent revision of the product, but we will review each "NTF" message.

If you have comments on reducing paperwork and respondent (filer) burden, with respect to draft or final forms, please respond to the relevant information collection through the Federal Register process; for more information, click here.

TREASURY/IRS AND OMB USE ONLY DRAFT

Instructions for Form 706-GSD

(Rev. December 2026)

Generation-Skipping Transfer Tax Return for Distributions

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 706-GSD and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form706GSD*.

What's New

Form 706-GSD and Form 706-GSDN. Form 706-GS(D) has been renamed Form 706-GSD, and Form 706-GS(D-1) has been renamed Form 706-GSDN. The functionality of the forms remains the same. Any references to either the old names or the new names should be treated as references to the corresponding new names, Form 706-GSD or Form 706-GSDN, as applicable.

Items A and B. In the form heading, we added items A and B to identify the number of Forms 706-GSDN attached and whether the return is a supplemental filing.

Reminders

Part I—General Information. Entry lines in this section were reorganized and the address includes foreign address entries.

Part II—Tax Computation. Part III was moved to Part II, and the overpayment line now includes option for direct deposit.

Part III—Distributions. Part II was moved to Part III on the second page of Form 706-GSD to allow more entry lines.

Electronic payments. If you have access to U.S. banking services or electronic payment systems, you should use direct deposit for any refunds and pay electronically for any payments, whenever possible.

Making a payment. If there is a balance due on Part II, line 9, go to *IRS.gov/Payments* for information on how to make a payment. See the instructions for Part II, line 9, later, for more details.

Direct deposit. We have added direct deposit fields on lines 10b, 10c, and 10d. If there is an overpayment on Part II, line 10a, enter your direct deposit information on Part II, lines 10b, 10c, and 10d. See the instructions for Part II, line 10, later, for more details.

General Instructions

Purpose of Form

Form 706-GSD is used by a skip person distributee to calculate and report the tax due on distributions from a trust that are subject to the generation-skipping transfer (GST) tax.

Who Must File

In general, any skip person who receives a taxable distribution from a trust must file Form 706-GSD. Trustees are required to report taxable distributions to skip person distributees on Form 706-GSDN, Generation-Skipping Trust Distribution Notification.

If you receive a Form 706-GSDN and the inclusion ratio found in column (d) of Part II, line 3, is zero for all distributions, you do not need to file Form 706-GSD. If you are required to file Form 706-GSD, you do not have to include any distributions that have an inclusion ratio of zero.

When To File

The GST tax on distributions is figured and reported on a calendar-year basis, regardless of your income tax accounting period. Generally, you must file Form 706-GSD on or after January 1 but not later than April 15 of the year following the calendar year when the distributions were made.

If you are not able to file the return by the due date, you may request an automatic 6-month extension of time to file by filing Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns. The extension is automatic, so you do not have to sign the form or provide a reason for your request. You must file Form 7004 on or before the regular due date of Form 706-GSD. See Form 7004 for more information.

Private Delivery Services (PDSs)

Filers can use certain PDSs designated by the IRS to meet the "timely mailing as timely filing" rule for tax returns. Go to *IRS.gov/PDS* for the current list of designated services.

The PDS can tell you how to get written proof of the mailing date.

For the IRS mailing address to use if you're using a PDS, go to *IRS.gov/PDSStreetAddresses*.

Caution: PDSs can't deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.

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Where To File

File Form 706-GSD at the following address.

Department of the Treasury
Internal Revenue Service
Kansas City, MO 64999

If using a PDS, use this address.

Internal Revenue Submission Processing Center
333 W. Pershing Road
Kansas City, MO 64108

Supplementing Form 706-GSD

If you find that you must change something on a return that has already been filed, you should:

- File another Form 706-GSD;
- Check the box in item B at the top of page 1 of the form;
- Include a statement of what has changed, along with the supporting information; and
- Attach a copy of the original Form 706-GSD that has already been filed.

For the mailing address for supplemental Form 706-GSD, see *Filing Estate and Gift Tax Returns*.

File the supplemental Form 706-GSD at the following address.

Internal Revenue Service Center
Stop 824G
7940 Kentucky Drive
Florence, KY 41042-2915

If you're using a PDS, file at this address.

Internal Revenue Service Center
Stop 824G
7940 Kentucky Drive
Florence, KY 41042-2915

If you have already been notified that the return has been selected for examination, you should provide the additional information directly to the office conducting the examination.

Penalties and Interest

Section 6651 provides penalties for both late filing and late payment unless there is reasonable cause for the delay. The law also provides penalties for willful attempts to evade payment of tax.

A return is late when it is filed after the due date, including extensions. The late filing penalty will not be imposed if the taxpayer can show that the failure to file a timely return is due to reasonable cause.

Section 6662 provides a 20% penalty for underpayments of estate or GST taxes due to negligence, intentional disregard of rules and regulations, or a substantial valuation understatement. A substantial valuation understatement occurs when the reported value of property is 65% or less of the actual value of the property. A gross valuation understatement occurs when the reported value of the property listed is 40% or less of the actual value of the property. In cases involving a gross valuation understatement, the penalty increases to 40% of the underpayment. No penalty will be assessed if the underpayment of estate tax, attributable to substantial or gross valuation understatement, does not exceed $5,000.

Interest will be charged on taxes not paid by their due date, even if an extension of time to file is granted. Interest is also charged on additions to tax for failure to file imposed by section 6651(a)(1) and on the section 6662 penalty from the due date of the return (including any extensions) until the addition to tax or penalty is paid.

Reasonable-cause determinations. If you receive a notice about penalties and interest after you file Form 706-GSD, send us an explanation and we will determine if you meet reasonable-cause criteria. Do not attach an explanation when you file Form 706-GSD. Explanations attached to the return at the time of filing will not be considered.

Return preparer. Return preparers who prepare any return or claim for refund that reflects an understatement of tax liability due to an unreasonable position are subject to a penalty equal to the greater of $1,000 or 50% of the income derived (or to be derived) for the preparation of each such return. Return preparers who prepare a return or claim for refund that reflects an understatement of tax liability due to willful or reckless conduct are subject to a penalty of $5,000 or 75% of the income derived (or to be derived), whichever is greater, for the preparation of each such return. See sections 6694(a) and 6694(b), the related regulations, and Announcement 2009-15, 2009-11 I.R.B. 687 (available at *IRS.gov/irb/2009-11_IRB*), for more information.

Signature

Either the distributee or an authorized representative must sign Form 706-GSD.

If you fill in your own return, leave the Paid Preparer Use Only space blank. If someone prepares your return and does not charge you, that person should not sign the return.

Paid Preparer Use Only

Generally, anyone who is paid to prepare the return must sign the return in the space provided and fill in the Paid Preparer Use Only area. See section 7701(a)(36)(B) for exceptions.

In addition to signing and completing the required information, the paid preparer must give a copy of the completed return to the distributee.

Note: A paid preparer may sign original or supplemental returns by rubber stamp, mechanical device, or computer software program.

Specific Instructions

Part I—General Information

Line 1a

If the skip person distributee is a trust, enter the name of the trust here.

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Line 1b

For skip person distributees who are individuals, enter the distributee's social security number (SSN) here and leave line 1c blank. If the skip person distributee is a trust, see the instructions for line 1c. Do not enter a number on both line 1b and line 1c.

Line 1c

If the skip person distributee is a trust, enter the trust's taxpayer identification number (TIN) and leave line 1b blank. Do not enter a number on both line 1b and line 1c.

Line 2a

If the skip person distributee is a trust, enter the trustee's name here. If the skip person distributee is a minor or is under some disability that precludes the individual from filing the return, enter the name of the person who is legally responsible for conducting the affairs of the distributee, such as a parent or guardian. Also, include the title or relationship to the distributee.

Lines 2b–2i

Enter the address at which you wish to receive correspondence from the IRS regarding this return. If there is an entry on line 2a, the address entered here will normally be that of the person listed on line 2a, rather than the individual or trust listed on line 1a.

Part II—Tax Computation

Note: Complete Part III before completing Part II.

Line 3

Add all amounts of transfer entered in column (c) of Part III, line 11, and, if needed, from additional sheets.

Line 4

You may deduct any adjusted allowable expenses incurred in connection with the preparation of this Form 706-GSD or any other expenses incurred in connection with the determination, collection, or refund of the GST tax reported or which should have been reported on this return from the amount of the distribution you received.

Adjusted allowable expenses are equal to the total allowable expenses multiplied by the inclusion ratio. If you have more than one inclusion ratio in column (d) of Form 706-GSDN, Part II, prorate the total expense among the inclusion ratios based on the relative value of each distribution made at the various inclusion ratios.

You may deduct an expense even though it has not been paid at the time the return is filed as long as the amount of the expense is clearly ascertainable at that time. If an additional allowable expense is incurred after the return is filed, file Form 843, Claim for Refund and Request for Abatement, to claim a refund.

Example. The following example illustrates the rules above.

You listed three distributions in Part III of Form 706-GSD. The value of the first distribution is $10,000 and has an inclusion ratio of 0.25. The value of the second distribution is $20,000 and has an inclusion ratio of 0.33. The value of the third distribution is $30,000 and has an inclusion ratio of 0.50. You received the completed return from the preparer along with the bill for the preparer's fee on April 14 and filed the return on April 15. You paid the preparer's $200 fee on April 20. The adjusted allowable expense you should report on line 4 of Part II is $80, calculated as follows.

$$\frac{\$10,000}{\$60,000} \times 200 = 33.33 \times 0.25 = 8 \text{ (rounded)}$$

$$\frac{\$20,000}{\$60,000} \times 200 = 66.67 \times 0.33 = 22 \text{ (rounded)}$$

$$\frac{\$30,000}{\$60,000} \times 200 = 100 \times 0.50 = 50$$

Adjusted allowable expense = 80

Line 6

Enter, using the table below, the applicable rate in effect at the time the generation-skipping distribution occurred.

Table of Maximum Tax Rates

If the generation-skipping transfer occurred:	The maximum tax rate is:
After December 31, 2002, but before January 1, 2004	49%
After December 31, 2003, but before January 1, 2005	48%
After December 31, 2004, but before January 1, 2006	47%
After December 31, 2005, but before January 1, 2007	46%
After December 31, 2006, but before January 1, 2010	45%
After December 31, 2009, but before January 1, 2011	0%
After December 31, 2010, but before January 1, 2013	35%
After December 31, 2012	40%

Line 9—Tax Due

If the amount on line 7 is more than the amount of line 8, subtract line 8 from line 7. This is the amount you owe.

Making a Payment

The IRS recommends paying electronically whenever possible. Options to pay electronically include any of the payment options below. Also, go to *IRS.gov/Payments* and *Frequently asked questions on estate taxes* for more detailed information.

EFTPS. Payment of the tax due may be submitted electronically through the Electronic Federal Tax Payment System (EFTPS). EFTPS is a free service of the Department of the Treasury. Go to *IRS.gov/EFTPS* and *EFTPS.gov* for more information.

Same-day wire. Payment of the tax due may be submitted electronically through same-day wire from your financial institution. Contact your financial institution

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for availability, cost, and time frames. Go to *IRS.gov/SameDayWire* and *How do I make an electronic payment* under *Frequently asked questions on estate taxes* on IRS.gov for the worksheet and more information.

Paying by check. Make the check payable to "United States Treasury." Write the SSN of the individual distributee or the TIN of the trust distributee, and "Form 706-GSD" on the check to assist us in posting it to the proper account. Go to *IRS.gov/PayByMail* for more information.

Paying by cash. You may be able to pay your balance due with cash at participating retail stores. Go to *IRS.gov/PayCash*.

Line 10—Overpayment

If you have access to U.S. banking services, you should use direct deposit for any refunds, whenever possible. Go to *IRS.gov/DirectDeposit* for more information.

Direct deposit is available for this form. If there is an overpayment when filing your return, complete Part II, lines 10b, 10c, and 10d, to input your direct deposit information.

Line 10a

If line 10a is under $1, we will send a refund only on written request.

Line 10b

The routing number must be 9 digits. The first 2 digits must be 01 through 12 or 21 through 32. Ask your financial institution for the correct routing number to enter on line 10b if:

- The routing number on a deposit slip is different from the routing number on your checks,
- Your deposit is to a savings account that doesn't allow you to write checks, or
- Your checks state they are payable through a financial institution different from the one at which you have your checking account.

Line 10c

Check the appropriate box for the type of account. Don't check more than one box. You must check the correct box to ensure your deposit is accepted.

Line 10d

The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. Don't include the check number.

Part III—Distributions

Report all the taxable distributions with inclusion ratios greater than zero that you received during the year. The trustee will report these distributions to you on Form 706-GSDN. Attach a copy of each Form 706-GSDN you received during the year to this return. You should also keep a copy for your records.

If you need more space than is provided in Part III, duplicate the page and use additional copies as needed. Make sure that the total tentative transfers from the continuation sheet are included on line 3 of Part II.

Column (b)

In column (b), use the same item number that was used for the corresponding distribution on Form 706-GSDN. If you receive distributions from more than one trust, you may need to repeat item numbers.

Column (c)

There may be instances when the trustee has either not completed columns (e) (Value) and (f) (Tentative transfer) of Form 706-GSDN or when you disagree with the amounts the trustee entered. If this occurs, attach a statement to this return showing what you think are the correct amounts and how you figured them.

To figure the tentative transfer (column (c) of this form), multiply the applicable inclusion ratio from column (d) of Form 706-GSDN, Part II, by the value of the distribution. Use the following guidelines to determine the value of the distribution.

The value of a distribution is its fair market value (FMV) on the date of distribution. FMV is the price at which the property would change hands between a willing buyer and a willing seller when neither is forced to buy or to sell, and both have reasonable knowledge of all the relevant facts. FMV may not be determined by a forced sale price nor by the sale price of the item in a market other than that in which the item is most commonly sold to the public. The location of the item must be taken into account whenever appropriate.

Determine the value of the property distributed as of the date of the distribution. The date of distribution is listed in column (c) of Form 706-GSDN, Part II.

Reduce the value of any property being reported in Part III by the amount of any consideration provided by the distributee.

Value the stock of close corporations or inactive stock on the basis of net worth, earnings, earning and dividend capacity, and other relevant factors. For such stock, attach balance sheets, particularly the one nearest the date of the distribution, and statements of net earnings or operating results and dividends paid for each of the 5 preceding years.

Reduce the reported value of real estate by the amount of any outstanding lien against the property on the date of distribution. Attach copies of any such liens. Explain how the reported values were determined and attach copies of any appraisals.

For more information, see the Instructions for Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return.

Go to *IRS.gov/OrderForms* to order current forms, instructions, and publications; call 800-829-3676 to order prior-year forms and instructions. Go to *IRS.gov/Forms* to view, download, or print all the forms, instructions, and publications you may need.

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