

**Internal Revenue Service**

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:  
CC:PSI:2 - PLR-120051-01  
Date:  
April 9, 2002

Grantor =

A =

B =

C =

D =

E =

D1 =

D2 =

D3 =

D4 =

D5 =

D6 =

Year 1 =

Bank =

State 1 =

State 2 =

Trust =

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Trust 1 =

Trust 2 =

Trust 3 =

Dear :

This letter responds to your letter dated March 14, 2001, submitted by you as the authorized representative of A, B, and C, requesting certain rulings under the Internal Revenue Code.

The information submitted states that on D1, Grantor established an irrevocable trust for the benefit of her children, issue and other relatives (Trust). Trust was funded with stock in a closely-held corporation. During the period in which Trust held the stock, the corporation paid no dividends on the stock.

In Year 1, the initial trustees of Trust ceased to serve as trustees and Grantor's child A became successor trustee under Trust. On D2, A appointed D, a person having no interest under Trust and not related or subordinate to Grantor as defined in § 672(c), as co-trustee. In accordance with Trust's provisions, A's siblings B and C consented to the appointment of D as co-trustee.

D, as the trustee possessing the power of discretionary distributions, allocated all Trust assets to three equal trusts, one trust for the benefit of A (Trust 1), one trust for the benefit of B (Trust 2), and one trust for the benefit of C (Trust 3) (collectively, the Trusts). Each of the Trusts is an Alternative Distribution Trust as described in Paragraph 4.06 of Trust. On D3, D resigned and ceased to serve as co-trustee.

On D4, A designated Bank as sole trustee and A resigned and ceased to serve as trustee. B and C consented to the appointment of Bank as the sole trustee. On this same date, B and C renounced their right to serve as successor trustees under Trust at this time.

On D5, Bank, as trustee, moved the situs of Trust from State 1 to State 2 in accordance with Trust. Trust was irrevocable on September 25, 1985. It is represented that no additions have been made to Trust after that date.

Paragraph 1.02 of Trust provides that the beneficiaries of Trust are to be identified by Classes which consist of the following persons: Class One consists of all

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Grantor's children. Class Two consists of all Grantor's issue other than her children. Class Three consists of all the spouses of Grantor's children. Class Four consists of all respective issue of Grantor's siblings and all respective issue of the siblings of Grantor's spouse.

Paragraph 3.01(1) of Trust provides the power to make distributions of income and principal ("distributions") from Trust is to be vested solely in the trustees possessing the power of discretionary distributions under Paragraph 4.01. Distributions may be made at any time to none, one, some or all of the beneficiaries then eligible to receive distributions and in such proportions and amounts, equal or unequal, as the trustees possessing the power of discretionary distributions under Paragraph 4.01 deem advisable in their sole discretion. Beneficiaries who are eligible to receive distributions are to be all members of Classes One, Two, Three and Four who are living at the time of the distribution; provided that distributions to members of Class Four are to be made only if and to the extent deemed necessary, in the sole judgment of the trustees possessing the power of discretionary distributions under Paragraph 4.01, for the health, education, support or maintenance of such members and then only if and to the extent that, in the sole judgement of such trustees, no greater need for distributions then exists or is reasonably likely to exist in the future among members of Classes One and Two.

Paragraph 3.01(2) of Trust provides that Trust is to terminate upon the closing of all of Classes One, Two, Three and Four. Upon termination, Trust assets are to be distributed in equal shares to two charities for their respective general tax-exempt purposes but without other restriction as to use. If either of the selected two charities is not then in existence, the share otherwise distributable to such charity is to be distributed instead to one or more organizations then described in § 501(c)(3) selected by the trustees possessing the power of discretionary distributions under Paragraph 4.01 having purposes similar to those of such charity.

Paragraph 4.01 of Trust provides that the trustees "possessing the power of discretionary distributions" are to be all those trustees acting at any time except any trustee who (1) by possessing a discretionary power to distribute or withhold any income or principal from any trust created under Trust, to change the situs of any trust under Trust pursuant to Paragraph 5.05 (15) or to select successor distributees pursuant to Paragraph 3.01(2) would be a younger generation beneficiary having a "present power," as defined in § 2613; or (2) is eligible to receive distributions from any trust created under Trust or who has the legal obligation to support a beneficiary who is eligible to receive distributions from any trust created under Trust; or (3) is a "related or subordinate party," within the meaning of § 672(c), with respect to Grantor or any other contributor, if Grantor or such other contributor is then living; provided that, if the possession of such powers by a trustee who is such a "related or subordinate party" would not cause more than half the trustees then acting and possessing such powers to be such related or subordinate parties, then such trustee may possess such powers if

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not otherwise disqualified under this Paragraph 4.01; and provided further that if at any time more than one trustee who is such a related or subordinate party is acting under Trust, the immediately preceding proviso is to apply to as many of such trustees as may qualify under such proviso, in order of length of service, beginning with the trustee who has served the longest or, if the length of service is the same, who first qualified as a trustee possessing the power of discretionary distributions or, if there is no difference, who is eldest in age.

Paragraph 4.02 of Trust provides that if not sooner terminated pursuant to other provisions of Trust, each trust created under Trust is to terminate 21 years after the death of the survivor of all members of Classes One, Two, Three and Four who are living at the execution of Trust, including with respect to Class Three, only the spouses of Grantor's children who are married to a child of Grantor at the execution of Trust. Any Trust assets governed by a statute or rule of law under which the assets could not validly remain in Trust until the date above described are to be distributed on the last date on which the assets can validly remain in Trust. In the event of the termination of Trust in whole or in part under this Paragraph, distribution of assets are to be made among the then living beneficiaries who are eligible to receive distributions in accordance with Paragraph 3.01(1) in such amounts and proportions as the trustees possessing the power of discretionary distributions under Paragraph 4.01, in their sole discretion, deem advisable, or, if no eligible beneficiary is then living, in accordance with the provisions of Paragraph 3.01(2).

Paragraph 4.04 of Trust provides that any distributions from Trust to an eligible beneficiary may, in the sole discretion of the trustees possessing the power of discretionary distributions under Paragraph 4.01, be retained for the sole benefit of such beneficiary in a separate trust under either Paragraph 4.05 or Paragraph 4.06 referred to as a "Distributions Trust" and an "Alternative Distributions Trust," respectively. All payments or distributions of income or principal authorized under Trust may be made by expending the same for the beneficiary's benefit, and, in the case of a beneficiary who is a minor or under other legal disability, all payments or distributions of income or principal may be made directly to the beneficiary, despite the disability, to a custodian (other than Grantor or any other contributor) designated by the trustees under the applicable Uniform Gifts or Transfers to Minors Act or to a legal guardian or conservator (other than Grantor or any other contributor); provided that no payment or distribution is to be made to a custodian, guardian or conservator if the payment would cause such person to become a "younger generation beneficiary" having a "present interest" or a "present power" in Trust as such terms are defined in § 2613.

Paragraph 4.06 of Trust provides that each Alternative Distributions Trust is to be administered as follows:

Under Paragraph 4.06(1), the net income (including the net income from any separate income set aside account) is to be paid to the beneficiary; provided that, if the

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trustees possessing the power of discretionary distributions under Paragraph 4.01 deem it advisable, all or any part of the net income may be either (i) withheld, accumulated and added to principal or (ii) irrevocably set aside for the beneficiary's benefit in accordance with Paragraph 4.06(2).

Under Paragraph 4.06(2), any net income irrevocably set aside pursuant to Paragraph 4.06(1) is to be permanently segregated in a separate income set aside account. The trustees are to pay to the beneficiary such sums from the income set aside account as the trustees possessing the power of discretionary distributions under Paragraph 4.01 deem advisable; provided that at the request of the beneficiary, the trustees are to pay to the beneficiary, from the income set aside account, an amount equal to the difference between (a) the sum of all income tax liabilities imposed on the beneficiary for a particular taxable year by reason of any income set aside pursuant to Paragraph 4.06(1) with respect to such taxable year, and (b) the sum of all distributions from Trust (including the income set aside account) to the beneficiary during such taxable year; and provided further that upon the death of the beneficiary, the remaining assets of the income set aside account are to be disposed in accordance with the exercise by the beneficiary of a general testamentary power of appointment exercisable by the beneficiary alone and in all events which is conferred on the beneficiary to appoint to the beneficiary's estate or otherwise. To the extent the remaining assets of the income set aside account are not effectively disposed of by the exercise of the power, such assets are to be distributed to the estate of the beneficiary.

Under Paragraph 4.06(3), such sums of principal as the trustees possessing the power of discretionary distributions under Paragraph 4.01 deem advisable are to be paid to the beneficiary.

Paragraph 5.01 provides that if the initial trustees of Trust cease to serve, the vacancy created is to be filled by A. If A fails to qualify or ceases to serve, he is to be replaced by B. If B fails to qualify or ceases to serve, he is to be replaced by C. The individual trustee or trustees (as distinguished from any corporate trustee) acting have the power to nominate and appoint as a co-trustee or as a successor one or more individual trustees or a corporate trustee. If any child of Grantor is serving as a trustee, then a majority of all Grantor's children, whether or not then serving as trustees, must concur in the appointment of the co-trustee or successor. If there is no trustee acting under Trust possessing the power of discretionary distributions under Paragraph 4.01 at a time when such a power may be exercised, the trustees then acting have the duty to appoint one of more individual trustees or a corporate trustee capable of possessing such power.

Paragraph 5.04(15) of Trust provides the trustees with the power to transfer the situs of the administration of any trust from State 1 to any other jurisdiction, as the trustees possessing the power of discretionary distributions under Paragraph 4.01 deem advisable.

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Subsequent to D5, Grantor's children formed a trust company in State 2 (Family Trust Company) and plan to have it serve as trustee for Trust 1, Trust 2, and Trust 3. Grantor's children also plan to request that Bank resign as trustee of Trust 1, Trust 2, and Trust 3. A separate company incorporated in State 1 and wholly-owned by Grantor's children (Family Corporation) is the sole shareholder of Family Trust Company.

On D6, each of Grantor's children renounced their right, directly or indirectly, to participate as a Trustee, or in any other capacity, in any decisions regarding discretionary distributions to any beneficiary under Trust or any separate trust created thereunder. In order to carry out this renunciation, each of Grantor's children agrees that he or she will at all times act to cause Family Trust Company to act in accordance with the Bylaw provisions of Family Trust Company. The formation and operation of Family Trust Company will be consistent with such renunciations, requiring that a "Distributions Committee" make all distribution decisions. The Board of Directors appoints the Distributions Committee to serve for a two year term, subject to removal only for malfeasance or bad faith conduct. The Family Trust Company requires that the Distributions Committee consist solely of person(s) who do not have beneficial interests in any trusts created under Trust. Under the Bylaws of Family Trust Company, there shall be no less than one, and no more than three, members of the Distributions Committee, each of which shall be a director of Family Trust Company, duly elected by the unanimous vote of the directors of Family Trust Company and a person who is neither an employee of Family Trust Company, a beneficiary of any trust for which Family Trust Company serves as trustee, nor a "related nor subordinate party" within the meaning set forth in § 672 as to any grantor of any trust for which Family Trust Company serves as trustee or any beneficiary of any such trust. As sole shareholders of Family Corporation, which is the sole shareholder of Family Trust Company, A, B, and C have the power to appoint and remove the directors of Family Trust Company.

Grantor's children propose that E, a director of the Family Trust Company and an attorney representing Grantor, the Grantor's children, and other members of Grantor's family, should serve as the initial sole member of the Distributions Committee.

#### RULING 1

Section 2041(a)(2) provides that the value of the gross estate shall include the value of all property to the extent of any property with respect to which the decedent has at the time of death a general power of appointment created after October 21, 1942, or with respect to which the decedent has at any time exercised or released such a power of appointment by a disposition that is of such nature that if it were a transfer of property owned by the decedent, such property would be includible in the decedent's gross estate under §§ 2035 to 2038, inclusive.

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Section 2041(b)(1)(A) provides that a general power of appointment is a power that is exercisable in favor of the decedent, the decedent's estate, the decedent's creditors, or the creditors of the decedent's estate. However, a power to consume, invade, or appropriate property for the benefit of the decedent that is limited by an ascertainable standard relating to the health, education, support, or maintenance of the decedent shall not be deemed a general power of appointment.

Section 20.2041-1(b)(1) of the Estate Tax Regulations provides that a power in a donee to remove or discharge a trustee and appoint himself may be a power of appointment. For example, if under the terms of a trust instrument, the trustee or his successor has the power to appoint the principal of the trust for the benefit of individuals including himself, and the decedent has the unrestricted power to remove or discharge the trustee at any time and appoint any other person including himself, the decedent is considered as having a power of appointment.

Rev. Rul. 95-58, 1995-2 C.B. 191, revoking Rev. Rul.79-353, 1979-2 C.B. 325, holds that a decedent-settlor's reservation of an unqualified power to remove a trustee and appoint an individual or corporate successor trustee that is not related or subordinate to the decedent within the meaning of § 672(c), is not considered a reservation of the trustee's discretionary powers of distribution over the property transferred by the decedent-settlor to the trust, for purposes of §§ 2036 and 2038.

Section 672(c) defines the term "related or subordinate party" to mean any nonadverse party who is (1) the grantor's spouse if living with the grantor; or (2) any one of the following: The grantor's father, mother, issue, brother or sister; an employee of the grantor; a corporation or any employee of a corporation in which the stock holdings of the grantor and the trust are significant from the viewpoint of voting control; a subordinate employee of a corporation in which the grantor is an executive. For purposes of § 672(f) and §§ 674 and 675, a related or subordinate party shall be presumed to be subservient to the grantor in respect of the exercise or nonexercise of the powers conferred on him unless such party is shown not to be subservient by a preponderance of the evidence.

Under Trust, during Grantor's lifetime, A, B, and C may not serve as trustees possessing the power of discretionary distributions with respect to Trust 1, Trust 2, or Trust 3 because they are related or subordinate parties with respect to Grantor within the meaning of § 672(c). Moreover, after Grantor's death none of Grantor's children can serve as a trustee with the power to make discretionary distributions from Trust 1, Trust 2, or Trust 3 because under Trust an individual trustee eligible to receive distributions from any trust created under Trust may not possess the power to make discretionary distributions to himself or herself. Accordingly, none of Grantor's children could ever possess a general power of appointment over assets in Trust 1, Trust 2, or Trust 3 created for his or her benefit because they cannot participate in distributions to themselves. Further, A, B, and C renounced their right, directly or indirectly, to

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participate as a trustee, or in any other capacity, in any decisions regarding discretionary distribution to any beneficiary under Trust or any separate trust created thereunder. Under the Bylaws of Family Trust Company, there shall be no less than one, and no more than three, members of the Distributions Committee, each of which shall be a director of Family Trust Company, duly elected by the unanimous vote of the directors of Family Trust Company and a person who is neither an employee of Family Trust Company, a beneficiary of any trust for which Family Trust Company serves as trustee, nor a “related nor subordinate party” within the meaning set forth in § 672(c) as to any grantor of any trust for which Family Trust Company serves as trustee or any beneficiary of any such trust. Accordingly, A, B, and C as sole shareholders of Family Corporation that owns Family Trust Company will not be deemed to possess a general power of appointment under § 2041 with respect to Trust 1, Trust 2, and Trust 3.

## RULING 2

Section 2501 imposes a tax for each calendar year on the transfer of property by gift during the calendar year by any individual.

Section 2511 provides that the tax imposed by § 2501 shall apply whether the transfer is in trust or otherwise, whether the gift is direct or indirect, and whether the property is real or personal, tangible or intangible.

Section 2514(b) provides that the exercise or release of a general power of appointment created after October 21, 1942, is deemed to be a transfer of property by the individual possessing the power for gift tax purposes. Section 2514(c) defines the term “general power of appointment” as a power which is exercisable in favor of the individual possessing the power, his estate, his creditors, or the creditors of his estate. However, under § 2514(c)(1), a power to consume, invade, or appropriate property for the benefit of the possessor which is limited by an ascertainable standard relating to the health, education, support, or maintenance of the possessor is not a general power of appointment.

Section 25.2514-1(c)(1) of the Gift Tax Regulations provides that a power of appointment is not a general power if by its terms it is exercisable only in favor of one or more designated persons or classes other than the possessor or his creditors, or the possessor’s estate or the creditors of his estate.

Under Trust, A, B, and C may not serve as a trustee possessing the power of discretionary distributions with respect to Trust 1, Trust 2, or Trust 3 because they are related or subordinate parties with respect to Grantor within the meaning of § 672(c).

Moreover, after Grantor’s death none of Grantor’s children can serve as a trustee with the power to make discretionary distributions from Trust 1, Trust 2, or Trust 3 because an individual trustee eligible to receive distributions from any trust created



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under Trust may not possess the power to make discretionary distributions to himself or herself. Accordingly, none of Grantor's children could ever possess a general power of appointment over assets in Trust 1, Trust 2, or Trust 3 created for his or her benefit because they cannot participate in distributions to themselves. Accordingly, A, B, and C's renunciation of the power to make any distribution decisions with respect to Trust 1, Trust 2, and Trust 3 is not a gift by Grantor's children under § 2501.

### RULING 3

Section 672(c) defines the term "related or subordinate party" to mean any nonadverse party who is (1) the grantor's spouse if living with the grantor; or (2) any one of the following: The grantor's father, mother, issue, brother or sister; an employee of the grantor; a corporation or any employee of a corporation in which the stock holdings of the grantor and the trust are significant from the viewpoint of voting control; a subordinate employee of a corporation in which the grantor is an executive. For purposes of § 672(f) and §§ 674 and 675, a related or subordinate party shall be presumed to be subservient to the grantor in respect of the exercise or nonexercise of the powers conferred on him unless such party is shown not to be subservient by a preponderance of the evidence.

Rev. Rul. 66-160, 1966-1 C.B. 164, provides that a director of a corporation is not an "employee," as that term is used in § 672(c) in defining the term "related or subordinate party," merely because he is a director.

Based solely on the facts and representations submitted, we conclude that E is not a "related or subordinate party" of Grantor, A, B, or C, merely because E is a director of Family Trust Company. We make no ruling or implication regarding whether E is a "related or subordinate party" of Grantor, A, B, or C because of any other relationship E may have with any person. Further, we make no ruling or implication regarding the effect of future administration of the Trusts on whether E is a "related or subordinate party" of Grantor, A, B, or C.

### RULING 4

Section 2036(a), in general, provides that the value of the gross estate includes the value of all property to the extent of any interest in the property that was transferred by the decedent (for less than adequate consideration) if the decedent has retained for life the right, alone or in conjunction with any person, to designate the person who shall possess or enjoy the property or the income therefrom.

Section 2038(a)(1), in general, provides that the value of the gross estate includes the value of all property to the extent of any interest in the property that was transferred by the decedent (for less than adequate consideration) if the decedent held

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a power, exercisable alone or in conjunction with any person, to change the enjoyment of the property through the exercise of a power to alter, amend, revoke, or terminate.

Section 25.2511-2(c) of the Gift Tax Regulations provides that a gift is incomplete in every instance in which a donor reserves the power to revest the beneficial title to the property in himself. A gift is also incomplete if and to the extent that a reserved power gives the donor the power to name new beneficiaries or to change the interests of the beneficiaries as between themselves unless the power is a fiduciary power limited by a fixed or ascertainable standard. See also § 25.2511-2(f).

For purposes of §§ 2036 and 2038, it is immaterial in what capacity the power was exercisable by the decedent. Thus, if a decedent transferred property in trust while retaining, as trustee, the discretionary power to distribute the principal and income, the trust property will be includible in the decedent's gross estate under §§ 2036 and 2038. The regulations under § 2036 and § 2038 explain that a decedent is regarded as having possessed the powers of a trustee if the decedent possessed an unrestricted power to remove the trustee and appoint anyone (including the decedent) as trustee. Sections 20.2036-1(b)(3) and 20.2038-1(a) of the Estate Tax Regulations.

In this case, A, B, and C would have the power, indirectly through the Family Trust Company, to appoint and remove the members of the Board of Directors. The Board of Directors appoints the Distributions Committee to serve for a two year term, subject to removal only for malfeasance or bad faith conduct. The Family Trust Company requires that the Distributions Committee consist solely of person(s) who do not have beneficial interests in any trusts created under Trust. Under the Bylaws of Family Trust Company, there shall be no less than one, and no more than three, members of the Distributions Committee, each of which shall be a director of Family Trust Company, duly elected by the unanimous vote of the directors of Family Trust Company and a person who is neither an employee of Family Trust Company, a beneficiary of any trust for which Family Trust Company serves as trustee, nor a "related nor subordinate party" within the meaning set forth in § 672(c) as to any grantor of any trust for which Family Trust Company serves as trustee or any beneficiary of any such trust.

Consequently, A, B, and C's power to remove and appoint members of the Board of Directors, which in turn has the power to appoint the Distributions Committee will not constitute the power to affect the beneficial enjoyment of the trust property under §§ 2036 and 2038 or otherwise cause them to be deemed to have a general power of appointment over the trust assets under § 2041. See Rev. Rul. 95-58.

#### RULING 5

Section 2601 imposes a tax on each generation-skipping transfer made by a transferor to a skip person.

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Under § 1433(a) of the Tax Reform Act of 1986, the generation-skipping transfer tax is generally applicable to generation-skipping transfers made after October 22, 1986. However, under § 1433(b)(2)(A) of the Tax Reform Act and § 26.2601-1(b)(1)(i) of the Generation-Skipping Transfer Tax Regulations, the tax does not apply to a transfer from a trust, if the trust was irrevocable on September 25, 1985, and no addition (actual or constructive) was made to the trust after that date. Under § 26.2601-1(b)(1)(ii), any trust in existence on September 25, 1985, will be considered irrevocable unless the settlor had a power that would have caused inclusion of the trust in his or her gross estate under §§ 2038 or 2042, if the settlor had died on September 25, 1985.

Section 26.2601-1(b)(4)(i) provides rules for determining when a modification, judicial construction, settlement agreement, or trustee action with respect to a trust that is exempt from the generation-skipping transfer tax will not cause the trust to lose its exempt status.

Section 26.2601-1(b)(4)(i)(D) provides that a modification will not cause an exempt trust to be subject to the provisions of chapter 13, if the modification does not shift a beneficial interest in the trust to any beneficiary who occupies a lower generation (as defined in § 2651) than the person or persons who held the beneficial interest prior to the modification, and the modification does not extend the time for vesting of any beneficial interest in the trust beyond the period provided for in the original trust. A modification that does not result in an increase in the amount of a GST transfer or the creation of a new GST transfer will not cause the trust to lose its exempt status.

Section 26.2601-1(b)(4)(i)(E), Example 4, involves a trust that is irrevocable on or before September 25, 1985. In 2002, State Y bank replaced State X bank as sole trustee. The effect of changing trustees is that the situs of the trust changes to State Y, and the laws of State Y govern the administration and construction of the trust. State Y law contains no rule against perpetuities. In view of the terms of the trust instrument, the trust will terminate at the same time before and after the change in situs. Accordingly, the change in situs does not shift any beneficial interest in the trust to a beneficiary who occupies a lower generation (as defined in § 2651) than the person or persons who held the beneficiary interest prior to the transfer. Furthermore, the change in situs does not extend the time for vesting of any beneficial interest in the trust beyond that provided for in the original trust. Therefore, the trust will not be subject to the provisions of chapter 13.

Section 26.2601-1(b)(4)(i)(E), Example 5, involves a trust that is irrevocable on or before September 25, 1985. The trustee has the discretion to distribute income and principal to A, B, and their issue in such amounts as the trustee deems appropriate. On the death of the last die of A and B, the trust principal is to be distributed to the living issue of A and B, per stirpes. In 2002, the appropriate local court approved the division of the trust into two equal trusts, one for the benefit of A and A's issue and one for the benefit of B and B's issue. The trust terms are identical except for the beneficiaries.

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The division of the trust into two trusts does not shift any beneficial interest in the trust to a beneficiary who occupies a lower generation (as defined in § 2651) than the person or persons who held the beneficial interest prior to the division. In addition, the division does not extend the time for vesting of any beneficial interest in the trust beyond, the period provided for in the original trust. Therefore, the two partitioned trusts resulting from the division will not be subject to the provisions of chapter 13.

In this case, Trust was irrevocable on September 25, 1985. It is represented that no additions have been made to Trust after that date. The division of Trust assets into three equal trusts and the change of situs of Trust in accordance with Trust will not result in a shift of any beneficial interest in either trust to any beneficiary who occupies a generation lower than the persons holding the beneficial interests prior to the division. Further, the division and change in situs will not extend the time for vesting of any beneficial interest in either trust beyond the period provided for in the original trust. Accordingly, based on the facts submitted and the representations made, we conclude that the division of Trust into three equal trusts, one trust for the benefit of A (Trust 1), one trust for the benefit of B (Trust 2), and one trust for the benefit of C (Trust 3) and the change of situs of Trust from State 1 to State 2 will not cause Trust to lose its exempt status for generation-skipping transfer tax purposes under § 2601.

Except as specifically set forth above, no opinion is expressed or implied as to the federal income tax consequences of the transactions described above under any other provision of the Code.

This ruling is directed only to the taxpayer on whose behalf it was requested. Section 6110(k)(3) provides that it may not be used or cited as precedent. Pursuant to a power of attorney on file with this office, copies of this letter are being sent to A, B, and C.

Sincerely yours,

J. THOMAS HINES  
Chief, Branch 2  
Office of the Associate Chief Counsel  
(Passthroughs & Special Industries)

Enclosures: 2  
Copy of this letter  
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