

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **202614005**
Release Date: 4/3/2026
Index Number: 2642.07-00

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
ID No.

Telephone Number:

Refer Reply To:
CC:PT&E:B04
PLR-111082-25

Date:
January 13, 2026

Legend

Taxpayer	=
Spouse	=
Trust 1	=
Trust 2	=
Trust 3	=
Child 1	=
Child 2	=
Child 3	=
Law Firm	=
Bank	=
Individual 1	=
Individual 2	=
Accountant	=
Date 1	=
Date 2	=
Year 1	=
Year 2	=

Dear :

This letter responds to your authorized representative's letter dated February 5, 2025, and subsequent correspondence, requesting an extension of time under § 2642(g) of the Internal Revenue Code (Code) and § 26.2642-7 of the Generation-Skipping Transfer (GST) Tax Regulations to make an election under § 2632(c)(5) to have the

automatic allocation rules under § 2632(c)(1) not apply with respect to certain transfers to trusts.

The facts and representations submitted are summarized as follows:

On Date 1, a date after December 31, 2000, Taxpayer and Spouse (Taxpayers) established Trust 1, an irrevocable trust, for the benefit of Child 1. Trust 1 has GST potential.

On Date 2, Taxpayers established Trust 2, an irrevocable trust, for the benefit of Child 2. Trust 2 has GST potential.

Also on Date 2, Taxpayers established Trust 3, an irrevocable trust, for the benefit of Child 3. Trust 3 has GST potential.

In Year 1, Taxpayers made gifts of cash and other property to Trust 1, Trust 2, and Trust 3 (Year 1 Transfers).

Several years later, in Year 2, Taxpayers made gifts of cash to Trust 2 and Trust 3 (Year 2 Transfers).

Taxpayers retained Law Firm to advise on estate planning matters, including drafting Trust 1, Trust 2, and Trust 3. Individual 1 and Individual 2, private wealth advisors of Bank, also supported the advice Taxpayers received regarding their wealth planning. Individual 1 is also a CPA and prepared Taxpayers' respective Year 1 Forms 709, United States Gift (and Generation-Skipping Transfer) Tax Returns. Taxpayer and Spouse elected to treat the transfers of each spouse as having been made one-half by each spouse under § 2513. Taxpayer and Spouse timely filed their respective Forms 709 for Year 1. However, Taxpayers were not advised by Law Firm or any other tax professional of the ability to elect out of the automatic allocation of GST exemption to the transfers to Trust 1, Trust 2, and Trust 3. As a result, Taxpayers did not elect out of the automatic allocation of GST exemption for the Year 1 Transfers to Trust 1, Trust 2, and Trust 3.

Individual 1 died prior to Year 2. Taxpayers retained Accountant to prepare Taxpayers' respective Year 2 Forms 709. Taxpayer and Spouse elected to treat the transfers of each spouse as having been made one-half by each spouse under § 2513. Taxpayer and Spouse timely filed their respective Forms 709 for Year 2. However, Accountant did not advise Taxpayers of the ability to elect out of the automatic allocation of GST exemption to the transfers made to Trust 2 and Trust 3. As a result, Taxpayers did not elect out of the automatic allocation of GST exemption for the Year 2 Transfers to Trust 2 and Trust 3.

Taxpayer requests an extension of time under § 2642(g) and § 26.2642-7 to elect out of the automatic allocation of GST exemption under § 2632(c)(5)(A)(i) with respect to

Taxpayer's Year 1 Transfers to Trust 1, Trust 2, and Trust 3, and Year 2 Transfers to Trust 2 and Trust 3.

LAW AND ANALYSIS

Section 2601 provides that a tax is imposed on every generation-skipping transfer (GST). Section 2611(a) provides that the term "generation-skipping transfer" means: (1) a taxable distribution; (2) a taxable termination; and (3) a direct skip.

Section 2602 provides that the amount of GST tax is the taxable amount multiplied by the applicable rate. Section 2641(a) defines the applicable rate as the product of the maximum federal estate tax rate and the inclusion ratio with respect to the transfer.

Section 2513(a)(1) provides, generally, that a gift made by one spouse to any person other than the donor's spouse is considered for purposes of the gift tax as made one-half by the donor and one-half by the donor's spouse, but only if at the time of the gift each spouse is a citizen or resident of the United States.

Section 25.2513-1(b)(4) of the Gift Tax Regulations provides that the consent is effective only if both spouses signify their consent to treat all gifts made to third parties during that calendar period by both spouses while married to each other as having been made one-half by each spouse. Such consent, if signified with respect to any calendar period, is effective with respect to all gifts made to third parties during such calendar period except, in part, if one spouse transferred property in part to his or her spouse and in part to third parties, the consent is effective with respect to the interest transferred to third parties only insofar as such interest is ascertainable at the time of the gift and severable from the interest transferred to his or her spouse.

Section 2631(a) provides that, for purposes of determining the inclusion ratio, every individual shall be allowed a GST exemption amount which may be allocated by such individual (or his executor) to any property with respect to which such individual is the transferor. Section 2631(b) provides that any allocation under § 2631(a), once made, shall be irrevocable.

Section 2632(a)(1) provides that an individual's GST exemption may be allocated at any time on or before the date prescribed for filing the estate tax return for such individual's estate (determined with regard to extensions), regardless of whether such return is required to be filed. Section 2632(a)(2) provides that the manner in which allocations are to be made shall be prescribed by forms or regulations issued by the Secretary.

Section 2632(c)(1) provides that if any individual makes an indirect skip during such individual's lifetime, any unused portion of such individual's GST exemption shall be allocated to the property transferred to the extent necessary to make the inclusion ratio for such property zero. If the amount of the indirect skip exceeds such unused portion, the entire unused portion shall be allocated to the property transferred.

Section 2632(c)(3)(A) provides that the term “indirect skip” means any transfer of property (other than a direct skip) subject to the tax imposed by chapter 12 made to a GST trust. Section 2632(c)(3)(B) provides, in relevant part, that the term “GST trust” means a trust that could have a GST with respect to the transferor unless an exception listed in § 2632(c)(3)(B)(i)-(vi) applies.

Section 2632(c)(5)(A)(i) provides, in relevant part, that an individual may elect to have the automatic allocation rules of § 2632(c)(1) not apply to -- (I) an indirect skip, or (II) any or all transfers made by such individual to a particular trust. Section 2632(c)(5)(B)(ii) provides, in relevant part, that the election under § 2632(c)(5)(A)(i)(II) may be made on a timely-filed gift tax return for the calendar year for which the election is to become effective.

Section 26.2632-1(b)(2)(i) of the Generation-Skipping Transfer Tax Regulations provides that in the case of an indirect skip made after December 31, 2000, to which § 2642(f) (relating to transfers subject to the ETIP) does not apply, the transferor’s unused GST exemption is automatically allocated to the property transferred (but not in excess of the fair market value of the property on the date of the transfer). This automatic allocation is effective whether or not a Form 709 is filed reporting the transfer and is effective as of the date of the transfer to which it relates. An automatic allocation is irrevocable after the due date of the Form 709 for the calendar year in which the transfer is made.

Section 26.2632-1(b)(2)(ii) provides that, except as otherwise provided, the transferor may prevent the automatic allocation of GST exemption with regard to an indirect skip by making an election as provided in § 26.2632-1(b)(2)(iii).

Section 26.2632-1(b)(2)(iii)(A) provides, in relevant part, that a transferor may prevent the automatic allocation of GST exemption (elect out) with respect to any transfer or transfers constituting an indirect skip made to a trust or to one or more separate shares that are treated as separate trusts under § 26.2654-1(a)(1). A transferor may elect out with respect to: (1) one or more prior-year transfers subject to § 2642(f) (regarding ETIPs) made by the transferor to a specified trust or trusts; (2) one or more (or all) current-year transfers made by the transferor to a specified trust or trusts; (3) one or more (or all) future transfers made by the transferor to a specified trust or trusts; and (4) all future transfers made by the transferor to all trusts (whether or not in existence at the time of the election out); or (5) any combination of (1) through (4).

Section 26.2632-1(b)(2)(iii)(B) provides that to elect out, the transferor must attach an election out statement to a Form 709 filed within the time period provided in § 26.2632-1(b)(2)(iii)(C). In general, the election out statement must identify the trust, and specifically must provide that the transferor is electing out of the automatic allocation of GST exemption with respect to the described transfer or transfers. Under § 26.2632-1(b)(2)(iii)(C), to elect out, the Form 709 with the attached election out statement must

be filed on or before the due date for timely filing the Form 709 for the calendar year in which: (1) for a transfer subject to § 2642(f), the ETIP closes; or (2) for all other elections out, the first transfer to be covered by the election out was made.

Section 2642(b)(1)(A) provides that, except as provided in § 2642(f), if the allocation of the GST exemption to any transfers of property is made on a gift tax return filed on or before the date prescribed by § 6075(b) for such transfer or is deemed to be made under § 2632(b)(1) or (c)(1), the value of such property for purposes of § 2642(a) shall be its value as finally determined for purposes of chapter 12 (within the meaning of § 2001(f)(2)), or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, its value at the time of the close of the estate tax inclusion period.

Section 2642(g)(1)(A) provides, generally, that the Secretary shall by regulation prescribe such circumstances and procedures under which extensions of time will be granted to make an allocation of GST exemption described in § 2642(b)(1) or (2), and an election under § 2632(b)(3) or (c)(5).

Section 2642(g)(1)(B) provides that in determining whether to grant relief under § 2642(g)(1), the Secretary shall take into account all relevant circumstances, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant. For purposes of determining whether to grant relief, the time for making the allocation (or election) shall be treated as if not expressly prescribed by statute.

Section 26.2642-7 sets forth the procedures for requesting an extension of time to make an allocation of GST exemption described in § 2642(b)(1) or (2), and an election under § 2632(b)(3) or (c)(5), and the standards used to determine whether relief may be granted.

Section 26.2642-7(d)(1) provides that requests for relief will be granted when and to the extent that the transferor or the executor of the transferor's estate provides evidence establishing to the satisfaction of the IRS that the transferor or the executor of the transferor's estate acted reasonably and in good faith, and that the grant of relief will not prejudice the interests of the government.

Section 26.2642-7(d)(2) provides a nonexclusive list of factors that will be considered in determining whether the transferor or the executor of the transferor's estate acted reasonably and in good faith for purposes of § 26.2642-7, including reasonable reliance by the transferor or the executor of the transferor's estate on the advice of a qualified tax professional.

Based upon the facts submitted and the representations made, we conclude that the requirements of § 26.2642-7 have been satisfied. Accordingly, Taxpayer is granted an extension of time of 120 days from the date of this letter to elect out of the automatic

allocation rules under § 2632(c)(5)(A)(i) for Taxpayer's Year 1 Transfers to Trust 1, Trust 2, and Trust 3, and Year 2 Transfers to Trust 2 and Trust 3. The election should be made on amended Forms 709 for Year 1 and Year 2. The amended Forms 709 should be filed with the Internal Revenue Service Center at the following address: Internal Revenue Service Center, Attn: E&G, Stop 824G, 7940 Kentucky Drive, Florence, KY 41042-2915. You should attach a copy of this letter to the amended Forms 709.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Sincerely,

Karlene M. Lesho

Karlene M. Lesho
Chief, Branch 4
Office of the Associate Chief Counsel
(Passthroughs, Trusts, and Estates)

Enclosure:

Copy for § 6110 purposes

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