Internal Revenue Service

Department of the Treasury

Washington, DC 20224

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Contact Person:

199903045

Telephone Number:

In Reference to: CC:DOM:P&SI:4-PLR-100599-98

Date:

OCT 19 1998

A =

B =

Trust1 =

Trust2 =

Trustee =

Charity =

d1 =

We are responding to the letter dated December 22, 1997, and subsequent correspondence, submitted on behalf of A, requesting rulings concerning the federal income, gift, estate and generation-skipping transfer tax consequences of the creation of a proposed charitable lead unitrust.

FACTS

You make the following representations:

A proposes to create Trust1, an irrevocable charitable lead unitrust. A will be the sole grantor and Trustee (a bank) will be appointed trustee.

Section 1.3 of the Trust1 agreement provides that the charitable recipient shall receive a distribution equal to 6% of the net fair market value of Trust1 assets valued as of a

specified date in the calendar year (Unitrust Amount). Distributions shall first be paid from ordinary income (excluding unrelated business income), then from short-term capital gain, then from long-term gain, then from unrelated business income, then from tax-exempt income; and, to the extent that the foregoing items for the taxable year are not sufficient, from principal.

Section 1.7 of the Trust1 agreement provides that for any short taxable year, and for the taxable year in which payments of the Unitrust Amount terminate, Trustee shall prorate the Unitrust Amount on a daily basis in accordance with applicable regulations.

Section 1.4 of the Trust1 agreement identifies the charitable recipient as Charity, a charitable corporation qualifying under §§ 170(c)(2), 2055 and 2522 of the Internal Revenue Code. However, if at any time during Trust1's term, Charity is not an organization described in each of §§ 170(c), 2055(a) and 2522(a), or if A has the ability, as a director or officer of Charity or in any other capacity, to participate in decisions regarding the distribution of the Unitrust Amount or other assets of the Charity, or the disposition of other assets of Charity, the Trustee will not distribute the Unitrust Amount to Charity and instead will distribute the Unitrust Amount to qualifying organizations that the Trustee, in its discretion, selects.

Section 1.5 of the Trust1 agreement provides that the term of the trust is ten years. Upon termination, section 1.16 of the Trust1 agreement provides that all remaining assets in Trust1 will be distributed to the then acting trustee of Trust2, to be held, administered, and distributed as provided in the Trust2 agreement. If Trust2 does not exist when Trust1 terminates, the Trust1 assets are to be distributed to A's surviving descendants by right of representation, if any, otherwise to charities that will render the contributions deductible for federal estate tax purposes.

Section 1.10 of the Trust1 agreement allows for additional contributions to Trust1. However, it is represented that A will make an allocation of A's generation-skipping transfer (GST) exemption to Trust1 and Trust2, with respect to A's contributions to these trusts, such that each trust will have an applicable fraction of one prior to the consolidation of the two trusts.

Section 1.22 of the Trust1 agreement provides that A may appoint, or provide a method of appointing, a bank having trust powers, which has capital and surplus in excess of $25,000,000, to replace any trustee who fails or ceases to serve. Neither A nor A's spouse may serve as trustee.

A will have no right to amend or alter Trust1. Section 1.13 of the Trust1 agreement provides that the trustee of Trust1 may amend Trust1 for the sole purpose of complying with the requirements of §§ 2522(c)(2)(B), and 2055(e)(2)(B) and the regulations thereto and any other Treasury or Internal Revenue Service requirements for charitable lead trusts.

Section 1.11 of the Trust1 agreement provides that Trustee is prohibited from lending any assets held by Trust1 to A. Furthermore, Trustee is prohibited from engaging in any act of self-dealing as defined under § 4941(b), retain any excess business holdings as defined in § 4943(c), make any investments that would give rise to tax under § 4944 or make any taxable expenditures as defined in § 4945(d).

On d1, A executed Trust2. Trustee is the trustee of Trust2. Trust2 will hold assets of nominal value not to exceed, in the aggregate, $1,000 until the termination of Trust1. The Trust2 agreement provides that any assets transferred to Trust2 will be divided into separate trusts of equal value for each of A's children and one trust for the issue of a deceased child (which trust is further divided into separate trusts by right of representation).

Section 1.2 of the Trust2 agreement provides that the trustee shall distribute income to a descendant who is under the age of 21, an amount which, in the trustee's discretion, is appropriate to provide for the support, maintenance and education of the descendant. When a descendant attains the age of 21, the trustee may distribute the net income of the trust to or for the benefit of a class of persons composed of that descendant, the spouse or former spouse of that descendant, the issue of that descendant, and the spouses and former spouses of the issue of that descendant, in such amount as the trustee determines in its discretion. The trustee may also make principal distributions to the descendant, the descendant's spouse and the descendant's issue in such amounts as the trustee deems advisable and appropriate. If the descendant dies before the trust established for the descendant's benefit terminates, the trust corpus shall be distributed pursuant to the descendant's exercise of a testamentary special power appointment. In default of appointment the corpus is to be held in further trust for that person's descendants. In any event, under Section 5.4(b), all trusts created under the trust agreement must terminate no later than 90 years after the date on which the Trust2 agreement is executed.

Under Section 2.1 of Trust2, after the death of A, A's child, B, may remove any person or corporation acting as trustee of Trust2. Further, Section 2.2 of the Trust2 agreement provides that A, or after the death or incapacity of A, B, may appoint, or provide for a method of appointing, a bank having trust powers,

which has capital and surplus in excess of $25,000,000, to replace any trustee who fails or ceases to serve as the trustee of any trust. Under Section 2.7, in exercising this power to appoint a successor trustee, A or B may only exercise the power to appoint a bank that will not be related or subordinate within the meaning of § 672(c). Finally , under Section 2.2, A, B and any person who transfers property to the trust is precluded from acting as trustee.

Section 3.1 of the Trust2 agreement provides that A or any other person may at any time add property to any trust created by Trust2.

Section 4.2 of the Trust2 agreement proscribes any trustee powers that would cause A to be deemed the owner of any portion of Trust2 for federal income tax purposes.

LAW AND ANALYSIS

Gift Tax Rulings

You request the following gift tax rulings:

1) A's proposed transfer of property to Trust1 will be a completed gift for gift tax purposes.

2) A will be allowed a gift tax charitable deduction under § 2522(a) for the present value of the interest passing to Charity valued as of the date of the funding of Trust1.

Section 2501 imposes a tax on the transfer of property by gift by any individual. Section 25.2511-1(a) of the Gift Tax Regulations provides that the gift tax applies to every kind of transfer by way of gift, whether direct or indirect, and whether the property is real or personal, tangible or intangible.

Section 25.2511-2(a) provides that the gift tax is not imposed upon the receipt of the property by the donee, nor is it necessarily determined by the measure of enrichment resulting to the donee at the time of the transfer. The tax is a primary and personal liability of the donor, is an excise upon the act of making the transfer, is measured by the value of the property passing from the donor, and attaches at the time the property passes, regardless of the fact that the identity of the donee may not then be known or ascertainable.

Under § 25.2511-2(b), a gift is complete and subject to the gift tax when the donor has so parted with dominion and control over the property transferred as to leave in the donor no power to change its disposition, whether for the donor's own benefit or for the benefit of another.

Section 25.2511-2(c) provides that a gift is incomplete to the extent that a reserved power gives the donor the power to name new beneficiaries or to change the interests of the beneficiaries.

Under § 25.2511-2(e), a donor is considered to have a power if it is exercisable by the donor in conjunction with any person not having a substantial adverse interest in the disposition of the transferred property, such as a trustee.

Section 2522(a) provides that, in computing the taxable gift each year, there is allowed a deduction for: 1) all gifts to or for the use of federal or other government entities for exclusively public purposes; 2) all gifts to or for the use of a corporation or trust operated exclusively for religious, charitable, scientific, literary, or educational purposes; or 3) certain transfers to fraternal or veterans organizations.

Section 2522(c)(2)(B) provides in general, that, where a transfer is made to both a charitable and noncharitable person or entity, no deduction shall be allowed for the charitable portion of the gift, unless in the case of an interest other than a remainder interest in trust, the interest is in the form of a guaranteed annuity or is a fixed percentage distributed annually of the fair market value of the property determined on an annual basis.

Section 25.2522(c)-3(c)(2)(vii) provides that a deductible interest is a charitable interest in property where the charitable interest is a unitrust interest. A unitrust interest is an irrevocable right, pursuant to the instrument of transfer to receive payment, not less often than annually, of a fixed percentage of the net fair market value, determined annually, of the property which funds the unitrust amount.

Section 25.2522(c)-3(d)(1) provides that the amount of the deduction in the case of a contribution of a partial interest in property is the fair market value of the partial interest on the date of gift. The fair market value of an annuity, life estate, term for years, remainder, reversion or unitrust interest is its present value. Section 25.2522(c)-3(d)(2)(v) provides that the present value of a unitrust interest described in § 25.2522(c)-3(c)(2)(vii) is to be determined by subtracting the present value of all interests in the transferred property other than the unitrust interest from the fair market value of the transferred property. The present value of the unitrust interest is determined under § 25.2522(c)-3(d)(d)(2)(v).

In the present case, for purposes of § 25.2511-2(b), A will retain no power over the property that A contributes to Trust1

and that will subsequently pass to Trust2. A retains no interest or reversion in Trust1 or Trust2. Neither A or A's spouse can serve as trustee of Trust1 and A holds no general power of appointment over Trust1 property. Further, although A is a member of Charity, A will have no role in determining how Charity will use Trust1 distributions. Accordingly, we conclude that, provided A does not acquire the ability to control how Charity uses the funds it receives from Trust1, the funding of Trust1 will result in completed gifts for federal gift tax purposes under §§ 2501 and 2511.

The Unitrust Amount payable under the proposed terms of Trust1 satisfies the requirements of § 25.2522(c)-3(c)(2)(vi) and, therefore, will meet the deductible interest requirements under § 2522(c)(2)(B). Accordingly, A will be allowed a gift tax charitable deduction under § 2522(a) for the present value of the Unitrust Amount passing to Charity valued as of the date of the funding of Trust1.

Estate tax issues:

You have requested the following estate tax rulings:

1) no part of Trust1 income or principal will be included in A's estate under §§ 2035, 2036, 2037 and 2038.

2) B will not be deemed to have a general power of appointment over the income and principal of Trust2 by virtue of B's power to remove any trustee of Trust2 and replace such trustee with an independent corporate trustee.

Under § 2035(a), if an interest in property is transferred by the decedent within 3 years of death, and the property (or the interest therein) would have been included under §§ 2036, 2037, 2038, or 2042 if the decedent had retained the interest, then the value of the property (or the interest therein) is includible in the gross estate. Other transfers made within three years of death are not includible in the gross estate.

Section 2036(a)(2) provides that the value of a decedent's gross estate shall include the value of all property of which the decedent has at any time made a transfer (except in the case of a bona fide sale for an adequate and full consideration in money or money's worth), by trust or otherwise, under which he has retained for life or for any period not ascertainable without reference to his death or for any period that does not in fact end before his death the right, either alone or in conjunction with any person, to designate the persons who shall possess or enjoy the property, or the income therefrom.

Section 2037 provides that the value of the gross estate shall include the value of all property to the extent of any interest therein of which the decedent has at any time after September 7, 1916, made a transfer (except in the case of a bona fide sale for an adequate and full consideration in money or money's worth) by trust or otherwise if (1) possession or enjoyment of the property can, through ownership of such interest, be obtained only by surviving the decedent, and (2) the decedent has retained a reversionary interest in the property and the value of such reversionary interest immediately before the death of the decedent exceeds 5 percent of the value of such property.

Section 2038(a)(1) provides that the gross estate shall include the value of all property to the extent of any interest therein of which the decedent has at any time made a transfer (except in the case of a bona fide sale for an adequate and full consideration in money or money's worth), by trust or otherwise, where the enjoyment thereof was subject at the date of his death to any change through the exercise of a power (in whatever capacity exercisable) by the decedent alone or in conjunction with any other person (without regard to when or from what source the decedent acquired the power) to alter, amend, revoke or terminate, or where any such power is relinquished during the three year period ending on the date of the decedent's death.

Section 2041(a) 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 his 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 which is of such a 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.

Section 2041(b) provides that the term "general power of appointment" means a power which is exercisable in favor of the decedent, his estate, his creditors, or the creditors of his estate except that a power to consume, invade, or appropriate property for the benefit of the decedent which 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. See also § 2514 and the regulations thereunder.

Rev. Rul. 95-58, 1995-2 C.B. 191 concludes that an individual will not be treated as possessing the trustee's powers for purposes applying §§ 2036 and 2038, where the individual can remove and replace a trustee and appoint an individual or

corporate successor trustee that is not related or subordinate to the individual (within the meaning of § 672(c)).

In the present case, A has not retained any powers over Trust1 that would cause either income or principal to be included in A's gross estate. Accordingly no part of Trust1 income or principal will be included in A's gross estate under §§ 2035, 2036, 2037 and 2038 at A's death. Furthermore, B will not be deemed to have a general power of appointment over the income and principal of Trust2 by virtue of B's power to remove and replace the corporate trustee of Trust2.

Income tax issue:

You having requested a ruling that no portion of Trust1's income will be taxable to A under §§ 671 through 677.

Section 671 provides that where the grantor or another person is treated as the owner of any portion of a trust, there shall then be included in computing the taxable income and credits of the grantor or the other person those items of income, deductions, and credits against tax of the trust that are attributable to that portion of the trust to the extent that such items would be taken into account under Chapter 1 of the Internal Revenue Code in computing taxable income or credits against tax of an individual.

Generally, a grantor is treated as the owner of a portion of a trust in which the grantor has certain powers or interests described in §§ 673 through 677.

Section 673 provides that the grantor shall be treated as the owner of any portion of a trust in which he has a reversionary interest in either the principal or income therefrom, if, at the inception of the trust, the value of the reversionary interest exceeds 5 percent of the value of that portion of the trust.

Section 674(a) provides that the grantor shall be treated as the owner of any portion of a trust in respect of which the beneficial enjoyment of the principal or the income of such portion is subject to a power of disposition, exercisable by the grantor or a nonadverse party, or both, without the approval or consent of any adverse party. Sections 674(b) and 674(c) provide certain exceptions to this general rule.

Section 674(b)(4) provides that subsection (a) shall not apply to a power, regardless of by whom held, to determine the beneficial enjoyment of the corpus or the income therefrom if the corpus or income is irrevocably payable for a purpose specified in § 170(c).

Section 1.674(a)-1(b)(1)(iii) of the Income Tax Regulations provides that a power held by the grantor or a nonadverse party to choose between charitable beneficiaries or to affect the manner of their enjoyment of a beneficial interest will not cause the grantor to be treated as the owner of a portion of the trust.

Section 674(c) provides that subsection (a) shall not apply to a power solely exercisable by a trustee or trustees, none of whom is the grantor, and no more than half of whom are related or subordinate parties who are subservient to the wishes of the grantor, to distribute, apportion, or accumulate income to or for a beneficiary, beneficiaries, or class of beneficiaries or to pay out corpus to a beneficiary, beneficiaries, or class of beneficiaries. If, however, any person has a power to add to the beneficiary or beneficiaries or to a class of beneficiaries (other than to provide for after-born or after-adopted children), § 674(c) does not apply.

Section 672(c) defines a "related or subordinate party" as any nonadverse party who is (1) the grantor's spouse if living with the grantor; (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.

Section 1.674(d)-2(a) provides that the power to remove or discharge an independent trustee on the condition that another independent trustee be substituted does not prevent a trust from qualifying for the exception under § 674(c).

Section 1.674(d)-2(b) provides that the limitation with respect to the power to add to the beneficiary or beneficiaries or class of beneficiaries does not apply to a power held by a beneficiary to substitute other beneficiaries to succeed to his interest such that the beneficiary would be an adverse party as to the exercise or nonexercise of that power.

Section 672(a) defines an "adverse party" as any person having a substantial beneficial interest in the trust which would be adversely affected by the exercise or nonexercise of the power which he possesses respecting the trust.

Section 675 provides that the grantor shall be treated as the owner of any portion of a trust in respect of which the grantor has certain administrative powers.

Section 675(1) provides that the grantor of a trust shall be treated as the owner of any portion of the trust in respect of which a power exercisable by the grantor or a nonadverse party,

or both, without the approval or consent of any adverse party enables the grantor or any person to purchase, exchange, or otherwise deal with or dispose of the principal or the income therefrom for less than an adequate consideration in money or money's worth.

Section 675(2) provides that the grantor shall be treated as the owner of any portion of a trust in respect of which a power exercisable by the grantor or a nonadverse party, or both, enables the grantor to borrow the trust principal or income directly or indirectly, without adequate interest or without adequate security, except where a trustee (other than the grantor) is authorized under a general lending power to make loans to any person without regard to interest or security.

Section 675(4) provides that the grantor shall be treated as the owner of any portion of a trust in respect of which a power of administration is exercisable in a nonfiduciary capacity by any person without the approval or consent of any person in a fiduciary capacity. For purposes of § 675(4), the term "power of administration" includes a power to reacquire the trust corpus by substituting other property of equivalent value.

Section 1.675-1(c) provides that the mere fact that a trustee's powers are described in broad language does not indicate that the trustee is authorized to purchase, exchange, or otherwise deal with or dispose of the trust property or income for less than adequate and full consideration in money or money's worth, or is authorized to lend the trust property or income to the grantor without adequate interest but that such authority may be indicated by the actual administration of the trust.

Section 676(a) provides that the grantor shall be treated as the owner of any portion of a trust, whether or not he is treated as such owner under any other provision of Subpart E, where at any time the power to revest in the grantor title to such portion is exercisable by the grantor or a nonadverse party, or both.

Section 677(b) provides that income of a trust shall not be considered taxable to the grantor merely because it may be used to satisfy the grantor's obligations for the support or maintenance of a beneficiary, except to the extent that such income is so applied or distributed.

In this case, the trustee's power to change the charitable beneficiary of Trust1 under certain circumstances is a power that comes within the exception of § 674(b)(4), and the trustee's powers, exercisable only in a fiduciary capacity, do not authorize the trustee to purchase, exchange, or otherwise deal with or dispose of trust property or income for less than

adequate and full consideration in money or money's worth, or to lend money to the grantor or the grantor's spouse without adequate interest.

At the termination of Trust1, its assets are payable to Trust2, if then in existence. The trustee of Trust2 will not be a related or subordinate party as defined in § 672(c) and, therefore, the trustee's power to distribute income and principal comes within the exception in § 674(c). In addition, any addition to the class of beneficiaries by a beneficiary's marriage comes within the exception in § 1.674(d)-2(b). Finally, the power to remove or discharge the trustee of Trust2 falls within the exception under § 1.674(d)-2(a). If Trust2 is not in existence when Trust1 terminates, the assets of Trust1 are payable to beneficiaries other than the grantor or the grantor's spouse. Therefore, no Trust1 assets payable to Trust2 will be treated as owned by the grantor.

Accordingly, based on the facts submitted and the representations made, we conclude that A will not be taxed on any portion of Trust1 income under §§ 671-674 and §§ 676-677. Additionally, our examination of the Trust1 agreement reveals none of the circumstances that would cause administrative controls to be considered exercisable primarily for the benefit of the grantor under § 675. Thus, the circumstances attendant on the operation of Trust1 will determine whether A will be treated as the owner of any portion of Trust1 and taxed on the income from that portion under § 675. This is a question of fact, the determination of which must be deferred until the federal income tax returns of the parties involved have been examined by the appropriate District Director's office.

The ordering provision of income distributions provided in Section 1.3 of the Trust1 agreement has no economic effect on the distributions independent of tax consequences. Therefore the provision will not be given effect for federal tax purposes. Instead, income distributed to organizations described in §§ 170(c), 2055(a) and 2522(a) will consist of the same proportion of each class of the items of income of Trust1 as the total of each class bears to the total of all classes. See § 1.642(c)-3(b)(2).

Generation-skipping transfer tax issues:

You have requested the following generation-skipping transfer (GST) tax rulings:

1) For GST tax purposes, A's allocation of GST exemption to Trust1 will be effective on the date of the transfer of property to Trust1 if the allocation is made on a timely-filed gift tax return.

2) For GST tax purposes, upon the distribution of Trust1 corpus to Trust2 on the expiration of the ten-year charitable term, Trust2 will have an inclusion ratio of zero.

Section 2601 imposes a tax on every generation-skipping transfer. A generation-skipping transfer is defined as a taxable distribution, a taxable termination, or a direct skip.

Section 2641(a) provides that the applicable rate of tax with respect to any generation transfer is the product of the maximum federal estate tax rate and the inclusion ratio with respect to the transfer.

Section 2642(a) provides that the inclusion ratio is the excess, if any, of 1 over the applicable fraction determined for the trust from which the transfer is made or, in the case of a direct skip, the applicable fraction determined for the skip. The applicable fraction is a fraction in which the numerator is the generation-skipping transfer tax exemption allocated to the trust or, in the case of a direct skip, allocated to the property transferred, and the denominator is the value of the property transferred to the trust or transferred in the direct skip, reduced by any federal estate tax or state death tax actually recovered from the trust attributable to the property and any charitable deduction allowed under §§ 2055 and 2522 with respect to the property.

Section 2642(b)(1) provides that if the allocation of GST exemption to any property is made on a gift tax return filed on or before the date prescribed by § 6075(b) or is deemed to be made under § 2632(b)(1)--(A) the value of such property for purposes of subsection (a) shall be its value for purposes of chapter 12, and (B) such allocation shall be effective on and after the date of such transfer.

Section 2652(a)(1)(B) provides that in the case of any property subject to the tax imposed by chapter 12, the term "transferor" means the donor, and in the case of any property subject to the tax imposed by chapter 11, the decedent. Under § 26.2652-1(a)(1), the term transferor is defined as the last person with respect to whom the property was most recently subject to an estate or gift tax.

Section 2631(a) provides that, for purposes of determining the inclusion ratio, every individual is allowed a generation-skipping transfer tax exemption of $1,000,000 (adjusted as provided in § 2631 (c)) which may be allocated by the individual or his executor to any property with respect to which the individual is the transferor.

Section 26.2632-1(b)(2)(i) of the Generation-Skipping Transfer Regulations provides that an allocation of GST exemption to property transferred during the transferor's lifetime, other than a direct skip, is made on Form 709. The allocation must clearly identify the trust to which the allocation is being made, the amount of GST exemption allocated to it, and if the allocation is late or if an inclusion ratio greater than zero is claimed, the value of the trust assets at the effective date of the allocation.

Section 26.2642-4(a) provides that, in general, the applicable fraction for a trust is redetermined whenever additional exemption is allocated to the trust or when certain changes occur with respect to the principal of the trust. Except as otherwise provided in this paragraph (a), the numerator of the redetermined applicable fraction is the sum of the amount of GST exemption currently being allocated to the trust plus the value of the non tax portion of the trust, and the denominator of the redetermined applicable fraction is the value of the trust principal immediately after the event occurs. The non tax portion of a trust is determined by multiplying the value of the trust assets, determined immediately prior to the event, by the then applicable fraction.

Section 26.2642-4(a)(2) provides that if separate trusts created by one transferor are consolidated, a single applicable fraction for the consolidated trust is determined. The numerator of the redetermined applicable fraction is the sum of the non-tax portions of each trust immediately prior to the consolidation.

In the present case, it is represented that A will make a timely allocation of A's GST exemption to Trust1 and Trust2 such that each trust will have an applicable fraction of one and an inclusion ratio of zero prior to the consolidation of the trusts. Accordingly, we conclude that for GST tax purposes, A's allocation of GST exemption to Trust1 will be effective on the date of the transfer of property to Trust1 if the allocation is made on a timely-filed gift tax return. Furthermore, upon the expiration of Trust1's ten-year charitable term and the consolidation of Trust1 into Trust2, provided that Trust1 and Trust2 will have an inclusion ratio of zero immediately prior to the consolidation of the trusts, after consolidation Trust2 will have an inclusion ratio of zero for purposes of the generation-skipping transfer tax imposed by § 2601. These conclusions are based on the assumption that A will make the only contributions to Trust1 and Trust2, and that A will otherwise remain the transferor of the trusts for GST purposes under § 2652(a)(1) and the applicable regulations (i.e., the trusts will not be subject to a gift or estate tax with respect to any other individual.)

Except as we have specifically ruled herein, we express no opinion on the federal tax consequences of the transaction under the cited provisions of the Code or under any other provisions of the Code.

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

A copy of this ruling should be attached to the federal gift tax return filed with respect to the funding of these trusts. A copy is enclosed for that purpose.

Sincerely yours,

Assistant Chief Counsel
(Passthroughs and Special Industries)

By George Masnik
George L. Masnik
Chief, Branch 4

Enclosures (2)
Copy for section 6110 purposes
Copy of letter