

GENERATION-SKIPPING TRANSFER TAX RETURN FOR TERMINATIONS - FEDERAL GENERATION-SKIPPING TRANSFER TAX CREDIT

GENERAL INFORMATION

WHO MUST FILE - Beginning after September 1, 1993, this return must be filed by the trustee of any trust that has a taxable termination subject to the generation-skipping transfer (GST) tax occur at the same time as and as a result of the death of a beneficiary if:

- a Federal Generation-Skipping Transfer Tax Return for Termination [IRS Form 706GS(T)] must be filed; and
- the termination of an interest in property held in trust includes property located in Texas.

DUE DATE - Returns are due and any tax liability is payable by April 15 following the year in which the termination occurs. Extensions of time to file and pay must be requested from the State of Texas prior to the due date.

ATTACHMENTS REQUIRED -

- Federal Generation-Skipping Transfer Tax Return for Terminations [IRS Form 706GS(T)]
- Copy of the federal extension request, along with IRS Form 2758. Furnish a copy of the approved extension when received.

SPECIFIC INSTRUCTIONS

Item 1 - "PROPERTY TAXABLE IN TEXAS" of a Texas Resident includes real property and oil and gas interests located in this state whether or not held in trust, tangible personal property having an actual situs in this state and all intangible personal property, wherever the notes, bonds, stock certificates or other evidence, if any, of the intangible personal property may be physically located or wherever the banks or other debtors of the decedent may be located or domiciled. A partnership interest is also an intangible asset regardless of where the physical assets of the partnership are located. Real property in a personal trust is not taxed if the real property is located outside of this state. Texas residents should circle the item number to identify any out-of-state property on the Federal Form 706GS(T).

"PROPERTY TAXABLE IN TEXAS" of a non-resident includes real property and oil and gas interests located in this state, whether or not held in trust, and tangible personal property having an actual situs in this state. Intangibles of a nonresident are not taxable in this state. Circle the item number to identify the Texas property on the Federal Form 706GS(T).

"PROPERTY TAXABLE IN TEXAS" of an alien includes real property and oil and gas interests located in this state whether or not held in trust, tangible personal property having an actual situs in this state and intangible personal property if the physical evidence of the property is located within this state or if the property is directly or indirectly subject to the protection, preservation or regulations under the laws of this state, to the extent that the property is included in the decedent's gross estate. Circle the item number to identify the Texas property on the Federal Form 706GS(T).

Item 2 - Attach tax returns and substantiate all payments to other states.

Item 4 - If any payments were made BEFORE the due date of the return, enter the total amount paid. If any payments were made AFTER the due date, deduct any applicable penalties and late payment interest from the amount paid and enter the difference. (Calculate interest on the amount of tax due from the due date through the date of the payment.) Penalties will apply if payments are not made timely.

If a payment is insufficient to cover the total amount due, then the payment will be applied first against penalties due, then interest and then to the payment of tax.

Item 7 - Late payment interest is due on the "Net amount of tax due" (Item 5). Interest begins to accrue one day after the due date on any unpaid tax regardless of extensions granted.

When calculating interest use the following rate: 12% per annum simple interest for terminations occurring on or before December 31, 1998.

For terminations occurring on or after January 1, 1999, interest is calculated at the rate available toll free at 1-877-44RATE4 or on line at <http://www.window.state.tx.us>.

SECTION IV - SIGNATURES

Returns must have the name, address and signature of the trustee, the trustee's authorized representative AND the person preparing the return if other than the trustee or trustee's representative.

The trustee of the trust is legally responsible for filing returns and paying all taxes.