



Instructions for Form 706-QDT

(Rev. April 2000)

U.S. Estate Tax Return for Qualified Domestic Trusts

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

General Instructions

Purpose of Form

The trustee or designated filer of a qualified domestic trust (QDOT) uses Form 706-QDT to figure and report the estate tax due on:

- Certain distributions from the QDOT;
- The value of the property remaining in the QDOT on the date of the surviving spouse's death; and
- The corpus portion of certain annuity payments.

Under certain circumstances, the trustee/designated filer uses Form 706-QDT to notify the IRS that the trust is exempt from future filing because the surviving spouse has become a U.S. citizen and meets the requirements listed in the instructions for line 4 on page 3.

The qualified domestic trust rules apply only in those situations where a decedent's surviving spouse is NOT a U.S. citizen.

Who Must File

Either the trustee or the designated filer, as explained below, must file Form 706-QDT for any year in which the QDOT has a taxable event (as defined below) or makes a distribution "on account of hardship."

Trustee

If the surviving spouse is the beneficiary of only one QDOT, the trustee of that QDOT is liable for filing Form 706-QDT and paying the tax.

The trustee must also file Form 706-QDT if the surviving spouse is the beneficiary of more than one QDOT, unless the decedent's executor designated one U.S. trustee as the designated filer.

If there is more than one trustee for any single trust, each trustee is liable for filing the return and paying the tax.

If there is a designated filer, the trustee must still complete a separate Schedule B of Form 706-QDT for each trust for which he or she is the trustee and provide the completed Schedule B to the designated filer at least 60 days before the due date for filing Form 706-QDT.

Designated filer

If the surviving spouse is the beneficiary of more than one QDOT from a single

decedent, and the decedent's executor has made such a designation, then the designated filer selected by the executor is liable for filing the return and paying the tax for all QDTs. This designation can be made on either the decedent's estate tax return or the first Form 706-QDT that is timely filed.

In this case, the trustee of each QDOT is responsible for completing Schedule B of Form 706-QDT for his or her trust and giving it to the designated filer.

Definitions

Qualified domestic trust

A qualified domestic trust is any trust that qualifies for an estate tax marital deduction under section 2056 and also meets all of the following requirements:

- The trust instrument requires that at least one trustee be either a U.S. citizen or a domestic corporation;
- The trust instrument requires that no distribution of corpus from the trust may be made unless that trustee has the right to withhold from the distribution the QDOT tax imposed on the distribution;
- The QDOT election under section 2056A(d) has been made for the trust by the executor of the estate on the decedent's estate tax return; and
- The requirements of all applicable regulations have been met.

Taxable event

A taxable event is any of the following:

- Any distribution from a QDOT (and certain annuity payments) before the death of the surviving spouse, except:
 - a. Distributions of income to the surviving spouse, and
 - b. Any distributions made to the surviving spouse on account of hardship;
- The death of the surviving spouse; and
- The failure of the trust to qualify as a QDOT.

Decedent

In these instructions, "decedent" means the grantor of the QDOT on whose estate tax return the executor makes the QDOT election.

Surviving spouse

In these instructions, surviving spouse means the individual who is both the

surviving spouse of the decedent and also the beneficiary of the decedent's QDOT.

When To File

Form 706-QDT is an annual return. Generally, the return to report distributions is due on or after January 1 but not later than April 15 of the year following any calendar year in which a taxable event occurred or a distribution was made on account of hardship.

However, if you are filing the return because of the death of the surviving spouse, you must file it within 9 months following the date of death. You must also report on that return all reportable distributions made during the calendar year in which the surviving spouse died. This rule may result in a return being due before April 15. For example, if the surviving spouse died on June 10, 1999, Form 706-QDT would be due March 10, 2000, and must include all reportable distributions made during 1999.

If the trust ceases to qualify as a QDOT, you must file Form 706-QDT within 9 months of the date on which the trust ceased to qualify. You must include on that return any reportable distributions made during the calendar year of the failure to qualify.

You can request an extension of time to file Form 706-QDT by writing to the District Director or Service Center for your filing location. You must explain the reason for the delay. Because there is no automatic extension of time to file Form 706-QDT, you must request the extension in sufficient time to allow the IRS to respond before the due date of the return.

An extension of time to file does not extend the time to pay the tax.

Where To File

File Form 706-QDT with the same Internal Revenue Service Center where the **Form 706**, United States Estate (and Generation-Skipping Transfer) Tax Return, or **Form 706-NA**, United States Estate (and Generation-Skipping Transfer) Tax Return, Estate of nonresident not a citizen of the United States, for the estate of the decedent was filed.

Paying the Tax

Generally, the QDOT estate tax is due by April 15 of the year following the calendar year in which taxable distributions were

made. However, if the surviving spouse died during the year or if the trust ceased to qualify as a QDOT during the year, the tax on those events and on any taxable distributions occurring during that calendar year is due within 9 months following the date of death or the failure to qualify.

If the QDOT qualifies, you may elect under section 6166 to pay the tax in installments. You may make either a protective or final election by checking "Yes" on line 3 of Part II, Elections by the Trustee/Designated Filer, and attaching the required statements. See the instructions for line 3 on page 3 for additional information.

Make the check payable to "United States Treasury." Write the surviving spouse's social security number and "Form 706-QDT" on the check to assist us in posting it to the proper account.

Signature

If the trustee is filing the return and there is more than one trustee listed, all listed trustees must verify and sign the return. All trustees are responsible for the return as filed and are liable for penalties provided for erroneous or false returns.

The trustee/designated filer who files the return must, in every case, sign the declaration on page 1 under penalties of perjury. If you pay someone to prepare the return, that person must also sign the return at the bottom of page 1.

Supplemental Documents

You must attach a copy of the trust instrument to the first Form 706-QDT filed for the trust. You do not need to attach a copy of the trust to any subsequent filings of Form 706-QDT.

If you are filing the return due to the death of the surviving spouse, attach a copy of the death certificate.

Penalties

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

Section 6662 provides penalties for underpayment of estate taxes of \$5,000 or more that are attributable to valuation understatements.

Security for Payment of the Tax

Assets in Excess of \$2 Million

If the estate tax value of the assets passing to the QDOT exceeds \$2 million (determined without regard to any indebtedness), the trust instrument must require that the trust meet at least **one** of the following conditions at all times during the term of the QDOT:

- At least one U.S. trustee must be a bank as defined in section 581;

- The U.S. trustee must furnish a bond in favor of the Internal Revenue Service in an amount equal to 65% of the fair market value of the trust assets; or
- The U.S. trustee must furnish an irrevocable letter of credit issued by a bank in an amount equal to 65% of the fair market value of the trust assets. The trust instrument may also meet this requirement by specific reference to the applicable paragraph of Regulations section 20.2056A-2(d).

The QDOT may alternate between any of these arrangements provided that one of the arrangements is operative at any given time. The QDOT may give the trustee the discretion to use any one of the security arrangements, or may limit the trustee to using only one or two of the arrangements.

Assets of \$2 Million or Less

If the estate tax value of the assets passing to the QDOT is \$2 million or less (determined without regard to any indebtedness), the trust instrument must require that the trust meet at least **one** of the following conditions at all times during the term of the QDOT:

- That no more than 35% of the fair market value of trust assets, determined annually on the last day of the taxable year of the trust, will consist of real property located outside the United States; or
- That the trust will meet the requirements described above for QDOTs with assets in excess of \$2 million.

For this purpose, if more than one QDOT is established for the benefit of the surviving spouse, the value of all of the QDOTs is aggregated in determining whether the \$2 million threshold is exceeded.

Personal Residence

For the purpose of (1) figuring the \$2 million threshold, and (2) determining the amount of any bond or letter of credit, the executor of the decedent's estate can elect to exclude up to \$600,000 in value of real property that meets the following requirements:

- It is used by or held for the use of the surviving spouse as a personal residence;
- It is owned directly by the QDOT; and
- It passed or was treated as passing to the QDOT under the rules for the marital deduction when the surviving spouse is not a U.S. citizen (section 2056(d)(2)(B)).

The \$600,000 can include the value of any related furnishings.

Either election may have been made by the executor on the estate tax return for the decedent's estate. The election to exclude the personal residence amount from the amount of the bond or letter of credit can also be made prospectively by the U.S. trustee by attaching a statement to Form 706-QDT claiming the exclusion. You can also cancel this election whether made by the executor or by a trustee, by

attaching such a statement to Form 706-QDT.

Filing a Bond or Letter of Credit

If the bond or letter of credit arrangement is selected, the executor must have filed the bond or letter of credit with the Form 706 or 706-NA on which the QDOT election is made.

The U.S. trustee must provide a written statement with the bond or letter of credit listing the assets that will fund the QDOT, the values of the assets, and whether any exclusions for a personal residence are being claimed.

Additional Information

For more information, including additional requirements for a bond and letter of credit, details on the exclusion of a personal residence, rules on the disallowance of the marital deduction for substantial undervaluation of QDOT property, rules regarding foreign real property, and certain annual reporting requirements (concerning ownership of foreign real property, cessation of use of a personal residence, and look-through rules applied to the ownership of foreign real property), see Regulations section 20.2056A-2(d).

How To Complete Form 706-QDT

Trustee Filing the Return

If the trustee is filing the complete return, prepare it in the following order:

1. Part I (page 1), General Information;
2. Part II (page 1), Elections by the Trustee/Designated Filer;
3. All of Schedule B (but only lines 1a and 1b of Part I);
4. Schedule A;
5. Part III (page 1), Tax Computation.

Enter only the totals from Parts II–VI of Schedule B in the corresponding "Total" lines of Schedule A.

Trustee Completing Schedule B Only

If a designated filer will file the return, the trustee must complete all applicable parts of Schedule B for his or her respective trust and provide it to the designated filer at least 60 days before the due date for filing Form 706-QDT.

Designated Filer Filing the Return

The designated filer must receive a completed Schedule B from the trustee of every QDOT that has had a reportable event or a hardship distribution during the tax year. The designated filer then summarizes these on Schedule A.

Complete the return in the following order:

1. Part I (page 1), General Information;
2. Part II (page 1), Elections by the Trustee/Designated Filer;

- 3. Schedule A;**
- 4. Part III (page 1), Tax Computation.**
Attach each Schedule B to the return when you file it.

If there is not enough space on a schedule to list all the items, attach an additional sheet of the same size to the back of the schedule.

Rounding off to Whole Dollars

You may show the money items on the return and accompanying schedules as whole dollars. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

Specific Instructions

Part I. General Information

Lines 2a, b, and c. If the **trustee** is filing the entire return, enter the **trustee's** information on lines 2a, b, and c.

Line 2b. If the trustee/designated filer is an individual, enter his or her social security number (SSN). Otherwise, enter the employer identification number (EIN) of the trustee/designated filer.

Line 2c. Enter the address at which you wish to receive correspondence from the IRS regarding this return. This must be an address for the designated filer, or if the trustee is filing the return, one of the individual trustees who is a U.S. citizen or a trustee that is a domestic corporation.

Line 4a. Enter the name of the decedent on whose estate tax return the QDOT election was made.

Part II. Elections by the Trustee/Designated Filer

If this return is being filed because of the death of the surviving spouse, and any property remaining in the QDOT at that time is includable in the estate of the surviving spouse (or would be includable if the surviving spouse had been a U.S. citizen or resident), then the trustee/designated filer may elect to apply certain estate tax benefits on this return, provided the estate of the surviving spouse would be eligible for these benefits.

Line 1. Alternate Valuation

Unless you elect at the time you file this return to adopt alternate valuation under section 2032, then you must value all property of all trusts listed in Part III of Schedule A on the date of the surviving spouse's death.

Note: You may **not** elect alternate valuation for any property reported in Parts I and II of Schedule A.

You may not elect alternate valuation unless the election will decrease both the value of the Part III, Schedule A, property and the net tax due on the return.

A designated filer filing for multiple trusts must make this election for all of the Part III, Schedule A, property in all of the

trusts, taken as a whole. The election cannot be made unless the requirements are met for all of the property.

You elect alternate valuation by checking "Yes" on line 1 and filing Form 706-QDT. Once made, the election may not be revoked.

If you elect alternate valuation, you must value all of the property to which the election applies as of the applicable date as follows:

- 1.** Any property distributed, sold, exchanged, or otherwise disposed of by any method within 6 months after the surviving spouse's death is valued on the date of distribution, sale, exchange, or other disposition, whichever occurs first. Value the property on the date title passes as a result of the sale, exchange, or other disposition.

- 2.** Any property not distributed, sold, exchanged, or otherwise disposed of within the 6-month period is valued on the date 6 months after the date of the surviving spouse's death.

- 3.** Any property that is "affected by mere lapse of time" is valued as of the date of the surviving spouse's death. However, you may change the date of death value to account for any change in value that is not due to "mere lapse of time" on the date of its distribution, sale, exchange, or other disposition.

For additional details, see **Instructions for Part 3.—Elections by the Executor** in the separate Instructions for Form 706.

Line 2. Special Use Valuation of Section 2032A

Under section 2032A, you may elect to value certain farm and closely held business real property at its farm or business use value rather than its fair market value. You may elect both special use valuation and alternate valuation. To elect this valuation, you must check "Yes" to line 2 and complete and attach Schedule A-1 of Form 706 and its required additional statements. **You must file Schedule A-1 of Form 706 and its required attachments with Form 706-QDT for this election to be valid.**

The total value of the property valued under section 2032A may not be decreased from fair market value by more than \$750,000.

Real property may qualify for the section 2032A election if:

- 1.** The real property is located in the United States;

- 2.** The real property is used for farming or in a trade or business;

- 3.** The real property was acquired from or passed from the surviving spouse to a qualified heir of the surviving spouse;

- 4.** The real property was owned and used in a qualified manner by the surviving spouse or a member of the surviving spouse's family for 5 of the 8 years before the surviving spouse's death; and

5. The qualified property is the percentage of the surviving spouse's gross estate specified in section 2032A.

For definitions and additional information, see section 2032A and the related regulations and the Form 706 instructions for Elections by the Executor and Schedule A-1.

Line 3. Installment Payments

If you check this line to make a protective election, you should attach a notice of protective election as described in Regulations section 20.6166-1(d). If you check this line to make a final election, you should attach the notice of election described in Regulations section 20.6166-1(b).

In computing the adjusted gross estate under section 6166(b)(6) for purposes of determining whether an election may be made under section 6166, the net amount of any real estate in a closely held business must be used.

Line 4. Spousal Election

If the surviving spouse has become a U.S. citizen, the QDOT tax will not apply to any distributions made after the surviving spouse became a citizen as long as either:

- 1.** The surviving spouse had been a U.S. resident at all times after the death of the decedent and before becoming a citizen; or

- 2.** No QDOT tax had been imposed on any distributions prior to the surviving spouse becoming a citizen.

You should file a final Form 706-QDT to notify the IRS that the QDOT tax no longer applies for this reason.

If the surviving spouse does not meet either of the conditions above, the QDOT tax will still not apply to distributions after he or she became a citizen if the surviving spouse elects both:

- 1.** To treat any distributions that were subject to QDOT tax as taxable gifts for purposes of determining the estate or gift tax under sections 2001 and 2501, respectively, for the year the surviving spouse became a citizen and all subsequent years; and

- 2.** To treat any of the decedent's unified credit (applicable credit amount) that was used to reduce the QDOT tax on taxable distributions as use of the surviving spouse's own unified credit for purposes of determining the spouse's available unified credit under section 2505 for the year he or she became a citizen and for all subsequent years.

To make these elections, check the "Yes" box on line 4.

Schedule B

Part I. General Information

If the trustee is filing the entire return, you need to complete only lines 1a and 1b of this part of Schedule B (but all of Parts II through VI). When completing Part I on

page 1, enter the remaining trustee's information on lines 2a, b, and c.

Line 1b. All trusts filing Form 706-QDT must have an EIN. A trust that does not have an EIN should apply for one on **Form SS-4**, Application for Employer Identification Number. You may obtain this form from most IRS and Social Security Administration offices. Send the completed Form SS-4 to the same Internal Revenue Service Center where Form 706-QDT will be filed. If the EIN has not been received by the filing time for Form 706-QDT, write "Applied for" on line 1b.

Line 2a. You must enter on this line either the name of an individual trustee who is a U.S. citizen or a trustee that is a domestic corporation. If there is more than one trustee, enter the one to be contacted by the IRS. List the names of all additional trustees on a sheet of paper attached to this return. Include the SSN or EIN of all U.S. citizens or domestic corporations.

Line 2b. Enter the SSN or EIN, as applicable, of the trustee listed on line 2a.

Part II. Taxable Distributions From Prior Years

Enter here the total of all taxable distributions that were or should have been reported on previously filed Forms 706-QDT.

Part III. Current Taxable Distributions

Enter here the total amount of corpus distributed during the calendar year or other period covered by this return and before the date of death of the surviving spouse. Include as a distribution on this line any QDOT estate tax paid during the calendar year out of the QDOT. Include all distributions even if the hardship exemption is being claimed.

Also include as distributions in this part any reportable payments to the surviving spouse from nonassignable annuities and other arrangements when the executor has filed with the estate tax return for the decedent's estate an agreement to pay section 2056A estate tax on such distributions. For details, see Regulations section 20.2056A-4(c).

Column (a)

The date of distribution is the date on which the title to the distributed property passed from the trustee to the surviving spouse.

Column (b)

Include in the description the name of the individual(s) to whom the distribution was made.

Real estate. Describe the real estate in enough detail so that the IRS can easily locate it for inspection and valuation. For each parcel of real estate report the location and, if the parcel is improved, describe the improvements. For city or town property, report the street number, ward, subdivision, block and lot, etc. For

rural property, report the township, range, landmarks, etc.

Stocks and bonds.— For stocks indicate:

Number of shares
Whether common or preferred
Issue
Par value where needed for valuation
Price per share
Exact name of corporation
Principal exchange upon which sold, if listed on an exchange
CUSIP number.

For bonds indicate:

Quantity and denomination
Name of obligor
Date of maturity
Interest rate
Interest due date
Principal exchange if listed on an exchange
CUSIP number.

If the stock or bond is unlisted, show the company's principal business office.

The CUSIP (Committee on Uniform Security Identification Procedure) number is a nine-digit number that is assigned to all stocks and bonds traded on major exchanges and many unlisted securities. Usually the CUSIP number is printed on the face of the stock certificate. If the CUSIP number is not printed on the certificate, it may be obtained through the company's transfer agent.

Other personal property. Any personal property distributed must be described in enough detail that its value can be ascertained by the IRS.

Column (c)

The value of a distribution is its fair market value on the date of distribution. Fair market value 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. Fair market value 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 relevant.

Stocks and bonds. The fair market value of a stock or bond (whether listed or unlisted) is the mean between the highest and lowest selling prices quoted on the valuation date. If only the closing selling prices are available, then the fair market value is the mean between the quoted closing selling price on the valuation date and on the trading day before the valuation date. To figure the fair market value if there were no sales on the valuation date:

1. Find the mean between the highest and lowest selling prices on the nearest

trading day before and the nearest trading day after the valuation date. Both trading days must be reasonably close to the valuation date.

2. Prorate the difference between the mean prices to the valuation date.

3. Add or subtract (whichever applies).

See the instructions for Schedule B of Form 706 for additional information on valuing stocks and bonds.

Column (d)

Distributions to the surviving spouse on account of hardship are exempt from the QDOT tax. Enter in column (d) the amount of any distribution for which the hardship exemption is being claimed. **Do not** enter any amount here that has not been included in the amount listed in column (c). Also, if the surviving spouse is the beneficiary of more than one QDOT, you may not claim the hardship exemption unless the decedent's executor selected a designated filer as explained on page 1.

Part IV. Taxable Property in Trust at Death of Surviving Spouse

You must report in Part IV all property remaining in the QDOT on the date of death of the surviving spouse (or the date the trust failed to qualify as a QDOT, if applicable). This includes both corpus and undistributed income.

Interest accrued to the date of the surviving spouse's death on bonds, notes, and other interest bearing obligations is property of the QDOT on the date of death. Rent accrued to the date of the surviving spouse's death on leased real and personal property is property of the QDOT on the date of death.

Outstanding dividends that were declared to stockholders of record on or before the date of the surviving spouse's death are considered property of the QDOT on the date of death. Ordinary dividends declared to stockholders of record after the date of the surviving spouse's death are not property of the QDOT on the date of death. However, if you have elected alternate valuation on line 1 of Part II, page 1, and dividends are declared to stockholders of record after the date of the surviving spouse's death so that the shares of stock at the later valuation date do not reasonably represent the same property at the date of the surviving spouse's death, include those dividends (except dividends paid from earnings of the corporation after the date of the surviving spouse's death) in the alternate valuation.

If there is not enough space to list all of the property, attach additional sheets of the same size, using the same format as Part IV.

Column (a)

Assign a separate item number to each separate type of property. For example, you can include under a single item number all stock of the same issuer and

type, but must list separate types (e.g., preferred and common) under separate item numbers.

Column (b)

See the instructions for column (b), Part III, on page 4.

Column (c)

If this return involves only one trust, enter the alternate valuation date only if you answered "Yes" to question 1 of Elections by the Trustee/Designated Filer.

If the designated filer is filing this return for multiple trusts, the individual trustees will complete Part IV, but only the designated filer can elect alternate valuation. To allow the designated filer to make this decision, the trustee must provide on an attachment to Schedule B both the regular and the alternate value (and the alternate valuation date) for all assets, unless the designated filer has notified the trustee that this is not required.

Column (d)

See the instructions for column (c), Part III, on page 4.

Parts V and VI. Marital and Charitable Deductions

Marital and charitable deductions are allowable for any property that both remained in the QDOT on the date of the surviving spouse's death and was includable in the gross estate of the surviving spouse (or would have been includable if the surviving spouse had been a U.S. citizen or resident).

Do not make an entry in Parts V and VI unless there is an entry in Part IV of Schedule B. Also, the sum of the total of the amounts entered in Parts V and VI cannot exceed the total of the amount entered in Part IV of Schedule B.

For details on the marital and charitable deductions, see the instructions for Schedule M and Schedule O of Form 706, as applicable.

Schedule A

When a **designated filer** is filing Form 706-QDT for more than one trust, use Schedule A to summarize the Schedule B amounts provided by the trustees. Under "EIN of QDOT" enter the EIN of the appropriate trust. If the **trustee** is filing the return, simply transfer the totals from Schedule B to the corresponding "Total" lines on Schedule A.

Part III. Tax Computation (Page 1)

Line 7

Enter the amount of the taxable estate from line 3, Part 2, Tax Computation, of the Form 706 (or line 1, Part II, of Form 706-NA) filed for the decedent's estate or as finally determined by the IRS.

Lines 10 and 11

Using the same revision of Form 706 or Form 706-NA on which the executor filed the decedent's estate tax return, recompute the decedent's net estate tax (Form 706, line 21, Part 2, Tax Computation; or Form 706-NA, line 14, Part II, Tax Computation) by substituting as instructed the amounts on line 9 and line 8 of this Form 706-QDT for the decedent's taxable estate (Form 706, line 3, Part 2, Tax Computation; or line 1, Part II of Form 706-NA).

Prior year versions of Forms 706 and 706-NA can be obtained by calling 1-800-TAX-FORM (1-800-829-3676).

Note that as a result of the recomputation, some items other than the taxable estate might be different from what was on the decedent's actual estate tax return. If the decedent's estate did not fully use its unified credit, additional unified credit may be allowable in the recomputation.

Also, if the decedent's estate claimed a credit for tax on prior transfers and the credit was limited by section 2013(c), the recomputed credit may be different than on the return as filed.

Also, if the decedent's estate claimed a credit for state or foreign death taxes and the amount of credit that could be claimed was limited by section 2011(b) or 2014(b), the recomputed credit may be different.

If the final determination of the tax due on the estate of the decedent has not been made at the time this return is filed, you must compute the tax on these lines using a tax rate of 55% (.55).

Also, if there is more than one QDOT with respect to any decedent, you must compute the tax on lines 10 and 11 using

a tax rate of 55% (.55) unless all of the following conditions are met:

1. The decedent's executor has designated a single person to be responsible for filing Form 706-QDT for all of the trusts (designated filer);
2. That person is either an individual who is a U.S. citizen or is a domestic corporation; and
3. The person meets the requirements of all applicable regulations.

Further, if the return is being filed because of the death of the surviving spouse, then in computing line 10, any state or foreign death taxes paid by the estate of the surviving spouse may be used in determining the allowable credits in recomputing the decedent's estate tax, if all of the following conditions are met:

1. This return is being filed because of the death of the surviving spouse;
2. Any property remaining in the QDOT at that time is includable in the estate of the surviving spouse (or would be includable if the surviving spouse had been a U.S. citizen or resident);
3. The credit is allowable (or would be allowable if the surviving spouse had been a U.S. citizen or resident) to the estate of the surviving spouse with respect to the property referred to in 2, above; and
4. The taxes were actually paid to a state or foreign jurisdiction.

For details on claiming these credits, see the Instructions for Form 706. If you claim the foreign death tax credit, you must complete and attach Schedule P (Form 706). If you claim the state death tax credit, attach your computation and evidence of the credit as described in the Instructions for Form 706.

Table for Computing Tax

Column A	Column B	Column C	Column D
Taxable amount over—	Taxable amount not over—	Tax on amount in Column A	Rate of tax on excess over amount in Column A
-----	\$10,000	-----	18%
\$10,000	20,000	\$1,800	20%
20,000	40,000	3,800	22%
40,000	60,000	8,200	24%
60,000	80,000	13,000	26%
80,000	100,000	18,200	28%
100,000	150,000	23,800	30%
150,000	250,000	38,800	32%
250,000	500,000	70,800	34%
500,000	750,000	155,800	37%
750,000	1,000,000	248,300	39%
1,000,000	1,250,000	345,800	41%
1,250,000	1,500,000	448,300	43%
1,500,000	2,000,000	555,800	45%
2,000,000	2,500,000	780,800	49%
2,500,000	3,000,000	1,025,800	53%
3,000,000	10,000,000	1,290,800	55%
10,000,000	17,184,000	5,140,800	60%
17,184,000	-----	9,451,200	55%

Line 14

Make the check payable to the "United States Treasury". Please write the surviving spouse's SSN and "Form 706-QDT" on the check to assist us in posting it to the proper account.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping..... 1 hr., 12 min.

Learning about the law or the form..... 42 min.

Preparing the form 1 hr., 29 min.

Copying, assembling, and sending the form to the IRS... 1 hr., 3 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the tax form to this address. Instead, see **Where To File** on page one.