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Internal Revenue Code Section 2612

Taxable termination; taxable distribution; direct skip

(a) Taxable termination.

(1) General rule.

For purposes of this chapter, the term "taxable termination" means the termination (by death, lapse of time, release of power, or otherwise) of an interest in property held in a trust unless-

(A) immediately after such termination, a non-skip person has an interest in such property, or

(B) at no time after such termination may a distribution (including distributions on termination) be made from such trust to a skip person.

(2) Certain partial terminations treated as taxable.

If, upon the termination of an interest in property held in trust by reason of the death of a lineal descendant of the transferor, a specified portion of the trust's assets are distributed to 1 or more skip persons (or 1 or more trusts for the exclusive benefit of such persons), such termination shall constitute a taxable termination with respect to such portion of the trust property.

(b) Taxable distribution.

For purposes of this chapter, the term "taxable distribution" means any distribution from a trust to a skip person (other than a taxable termination or a direct skip).

(c) Direct skip.

For purposes of this chapter-

(1) In general.

The term "direct skip" means a transfer subject to a tax imposed by chapter 11 or 12 of an interest in property to a skip person.

(2) Look-thru rules not to apply.

Solely for purposes of determining whether any transfer to a trust is a direct skip, the rules of section 2651(f)(2) shall not apply.