

# Credit Shelter Trust and QTIP Trust

- Qualified Terminable Interest Trust (QTIP) funded with assets over available annual exclusion and qualifies for unlimited marital deduction if:
  - Surviving spouse receives all income from the trust;
  - Income is distributed at least annually;
  - Invasion of trust principal is for the benefit of the surviving spouse.
- An election must be made on decedent's estate tax return to treat trust as a QTIP trust.
- **Surviving spouse does not control final distribution.**
- Commonly used to provide income and principal for the surviving spouse and then benefit the children of any earlier marriages.
- If QTIP election is not made the value will be included in decedent's federally taxable estate at death and tax, if any, will be due at that time.

