INCOME TAXATION OF TRUSTS AND ESTATES

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COURSE MATERIALS

852-2nd T.M., Income Taxation of Trusts and Estates
858-2nd T.M., Grantor Trusts: Sections 671-679
Internal Revenue Code Regulations
Problems
PowerPoint Slides and other Handouts
TOPICS TO BE COVERED

What are Trusts and Estates?
Fiduciary Accounting Income
Overview of Subchapter J
Distributable Net Income
Simple Trusts
Allocations of Income and Expenses
Complex Trusts and Estates
TOPICS TO BE COVERED (Continued...)

Gifts of Specific Sum or Property
Separate Share Rule
Basis and Distributions in Kind
Grantor Trusts
Income in Respect of a Decedent
WHAT IS A TRUST?

Fiduciary Relationship
With Respect to Property
Subjecting Title Holder (Trustee) to Equitable Duties
For the Benefit of Another (Beneficiary)
In accordance with the Settlor's Intentions
Arrangement
Created By Will or Inter Vivos Declaration
Whereby Trustees Take Title to Property For the Purpose of Protecting or Conserving It For the Beneficiaries Under the Ordinary Probate Rules
GLOSSARY

Grantor or Settlor
Trustee
Corpus
Income
Income Beneficiary
Remainderman
Inter Vivos Trust Agreement
Will
Estate
ASSOCIATION VS. TRUST

Treasury Regulation Section 301.7701-2(a)(2)

Common Characteristics

Distinguishing Factors
  • Presence of Associates
  • Objective to Carry on Business

Estate of Bedell Trust
ESTATES

Created at Death
One Decedent, One Estate
Excluded Items
Period of Administration
FIDUCIARY ACCOUNTING INCOME

Section 643(b)
State Law

- Governing Document
- Exercise of Permitted Discretion
- Default Rules
- Principal
TRADITIONAL DEFINITION OF FIDUCIARY ACCOUNTING INCOME

Money or property received as current return from a principal asset

Examples

- Interest Income
- Dividends
- Rents
TRADITIONAL DEFINITION OF PRINCIPAL

Capital gains
Repayment of loan principal
Assets received in capital restructuring
Stock dividends
Receipts on liquidation of corporation
STATE LAW CHANGES

Prudent Investor Standard
Total Return
Equitable Adjustments
Unitrust Approach
MECHANICS OF ALLOCATING INCOME TAX BURDEN

Income Distribution Deduction for Entity
Income Inclusion for Beneficiaries
No Tracing