The Truth About Trusts

To Trust or not to Trust: That is the Question

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What is a Trust?

A. A trust is traditionally used for minimizing estate taxes and can offer other benefits as part of a well-crafted estate plan.

B. A trust is a fiduciary arrangement that allows a third party, or trustee, to hold assets on behalf of a beneficiary or beneficiaries.

C. Trusts can be arranged in many ways and can specify exactly how and when the assets pass to the beneficiaries.

What is a Trust?

D. Since trusts usually avoid probate, your beneficiaries may gain access to these assets more quickly than they might to assets that are transferred using a will. Additionally, if it is an irrevocable trust, it may not be considered part of the taxable estate, so fewer taxes may be due upon your death.

E. Assets in a trust may also be able to pass outside of probate, saving time, court fees, and potentially reducing estate taxes as well.

What is a Trust?

F. Other benefits of trusts include:

1. **Control of your wealth.** You can specify the terms of a trust precisely, controlling when and to whom distributions may be made. You may also, for example, set up a revocable trust to that the trust assets remain accessible to you during your lifetime while designating to whom the remaining assets will pass thereafter, even when there are complex situations such as children from more than one marriage.

What is a Trust?

2. **Protection of your legacy.** A properly constructed trust can help protect your estate from your heirs' creditors or from beneficiaries who may not be adept at money management.

3. **Privacy and probate savings.** Probate is a matter of public record; a trust may allow assets to pass outside of probate and remain private, in addition to possibly reducing the amount lost to court fees and taxes in the process.

Creating Trusts

- Created when a donor transfers property to a fiduciary or trustee for the benefit of one or more beneficiaries
- Trust property is called corpus or principal
- A trust may be:
  - **Revocable:** This type of trust may be changed by the grantor at any point during his or her lifetime.
  - **Irrevocable:** This type of trust may be created either by will (testamentary trust) or by the grantor during his/her lifetime (inter-vivos).

Basic Types of Trusts

- Marital or “A” trust: Designed to provide benefits to a surviving spouse; generally included in the taxable estate of the surviving spouse
- Bypass or “B” trust: Also known as **credit shelter trust,** established to bypass the surviving spouse’s estate in order to make full use of any federal estate tax exemption for each spouse

Basic Types of Trusts

- Testamentary Trust: Outlined in a will and created through the will after the death, with funds subject to probate and transfer taxes; often continues to be subject to probate court supervision thereafter
- Irrevocable life insurance trust (ILIT): Irrevocable trust designed to exclude life insurance proceeds from the deceased's taxable estate while providing liquidity to the estate and/or the trusts' beneficiaries.

Basic Types of Trusts

- Charitable lead trust: Allows certain benefits to go to a charity and the remainder to your beneficiaries.
- Charitable remainder trust: Allows you to receive an income stream for a defined period of time and stipulate that any remainder to a charity
- Generation-skipping trust: Using the generation-skipping tax exemption, permits trust assets to be distributed to grandchildren or later generations without incurring either a generation-skipping tax or estate taxes on the subsequent death of your children.

Basic Types of Trusts

- Qualified Terminable Interest Property (QTIP) trust: Used to provide income for a surviving spouse. Upon the spouse’s death, the assets then go to additional beneficiaries named by the deceased. Often used in second marriage situations, as well as to maximize estate and generation-skipping tax or estate tax planning flexibility

Basic Types of Trusts

- Grantor Retained Annuity Trust (GRAT): Irrevocable trust funded by gifts by its grantor; designed to shift future appreciation on quickly appreciating assets to the next generation during the grantor's lifetime
- Qualified Disability Trusts: Non-grantor trust created solely for the benefit of a disabled individual under age 65. All the beneficiaries of the trust as of the close of the taxable year are determined by the Commission of Social Security to have been disabled (within the meaning of section 1614(a)(3) of the Social Security Act, 42 U.S.C. 1382c(a)(3)) for some portion of such year.

Basic Types of Trusts

- Electing Small Business Trust (ESBT): An ESBT is a statutory creature established by Congress in the Small Business Job Protection Act of 1996 (P.L. 104-188). A trust may own S Corporation shares if it meets the requirements of an ESBT. A trust may qualify as an electing small business trust and as an S Corporation shareholder even if the trustee does not distribute all of the trust's income annually to its beneficiaries. An election must be made to be treated as an ESBT.

Basic Types of Trusts

- Grantor type trust: A grantor trust is one in which the creator (or grantor) retains some power or interest over the income and/or corpus of the trust. Created by a living individual, group of individuals, or other entity, this type of trust is not recognized as a separate taxable entity apart from its grantor for income tax purposes. Therefore, income earned by the assets of the trust is directly reported on the grantor or owner’s income tax return. Accordingly, the grantor is deprived of any possible income tax advantages that might occur if the trust were taxed separately, such as lower marginal tax rates and a standard exemption amount.

Basic Types of Trusts

- Qualified Funeral Trust (QFT): A qualified funeral trust arises as a result of a contract with a person engaged in the trade or business of providing funeral or burial services or property necessary to provide such services. The sole purpose of the trust is to hold, invest, and reinvest funds in the trust and to use such funds solely to make payments for such services or property for the benefit of the beneficiaries of the trust. The only beneficiaries of QFTs are individuals with respect to whom such services or property are to be provided at their death under the contract. The only contributions to the trust are contributions by or for the benefit of such beneficiaries. The trustee of the trust must make an election to be treated as a QFT.

Basic Types of Trusts

- Split-Interest Charitable Trusts: Split-interest means that the interest in the property is split into two parts: an income interest and a remainder interest. The income interest is separate from the remainder interest. Both interests can be assigned to a charity of charities, one or more non-charitable beneficiaries, or both depending on the type of split-interest charitable trust.

Basic Types of Trusts

- In Addition, charitable trusts engaging in business activities but organized to benefit charities are subject to the rules on unrelated business income. Based on the method and timing of distributions, split-interest charitable trusts are divided into the following four categories:

Basic Types of Trusts

1. Charitable remainder annuity trusts: Distribute income in a series of fixed payments to one or more non-charitable beneficiaries for a defined period of time, after which the remaining value of the trust is transferred to a charitable beneficiary.
2. Charitable remainder unitrusts: Distribute a percentage of the fair market value to one or more non-charitable beneficiaries for a defined period of time, after which remaining value of the trust is transferred to a charitable beneficiary.

Basic Types of Trusts

3. Charitable Lead Trusts: Distribute a sequence of payments to a charitable beneficiary for a period of time, after which the remaining trust assets are transferred to a non-charitable beneficiary.
4. Pooled Income Funds: Allow donors to donate assets to a charity. The pooled assets are invested as a group and each donor receives income based on the ration of his or her contribution to the total value of the investment pool. After the death of the donor, his or her prorated share of the investment pool is withdrawn and given to the charitable organization.

Basic Types of Trusts

- Pet Trusts: A legally sanctioned arrangement providing for the care and maintenance of one or more companion animals in the event of a grantor’s disability or death.
- Miller Trust: A Miller Trust makes Social Security and other income exempt from calculations of income and resources if the state is reimbursed from the trust for Medicaid expenses upon the recipient’s death.

Benefits of Generation-skipping Trust

- Not just for the wealthy: This type of trust provides a great way to safeguard any family's assets from excess tax, creditors and ex-spouses looking for their "share" of the estate.
- Good choice for wealthier families to be able to transfer their assets from the older generation to their grandchildren or great grandchildren without making their assets vulnerable to estate or so-called death tax.

Benefits of Generation-skipping Trust

- Allows all descendants to benefit the most from assets in the trust without the harsh imposition of estate or death tax when the children die, and then again when the grandchildren pass away.

Benefits of Generation-skipping Trust

- Protects assets from second generation problems:

1. Let’s assume that a child in the second generation has gone through a less than amicable divorce. Because the assets in the generation skipping trust won’t legally belong to the ex-spouse, the divorcing spouse will never be able to claim a share of the trust’s assets.

- 2. If a child starts a company and the company later goes under, the assets in the trust cannot be tapped into to pay the debts of the child as the child does not own the assets.

Benefits of Generation-skipping Trust

- 3. Protects assets from other financial catastrophes that may occur, such as an uninsured car accident or a large gambling debt
- 4. For a child that might be a spendthrift, this trust will allow the child to have access to trust assets but not be in control over the timing of distributions of those assets.

Generation-skipping Trust Limitations

- Limit that can be transferred is $2 million per person that can be left in the trust.
- Transfers to the trust can be made in amounts up to $1 million.
- Some professionals request their parents put their estates into a generation skipping trust. For example, a doctor who has an enhanced risk of liability may see the generation skipping trust as a way for his parent's estate to be protection from creditors while the assets are still available to him.

Revocability

Donor control

- May be irrevocable
  - Donor gives up control over property
- May be revocable
  - Donor may revoke trust and take back property
  - Treated as grantor trust with donor taxable on all income even if trust is not revoked

Separate Legal Entity Under State Law

- A trust must meet both state law and federal law requirements to be so recognized.
- The Internal Revenue Code contains no definition of a trust; only state law governs trusts.
- The trustor (grantor or settlor) is the person who transfers property to the trustee.
- The trustee then manages the property for the benefit of the beneficiaries named and distributes income and principal in accordance with the trust agreement.

Trusts - Nontax Purposes

- May get professional management through use of a corporate trustee, such as a bank
- Useful for providing for beneficiaries incapable of managing property, such as children
- Useful if lifetime beneficiaries are different from remaindermen
  - **Lifetime Beneficiary:** Entitled to receive income and possibly principal from the trust property
  - **Remainderman:** Entitled to receive a portion of the principal at termination of the life interest.
- Trusts may be useful in minimizing estate costs and can offer other benefits as part of a well-crafted estate plan.

Trusts

- Simple trust
  - Trust required to distribute all of its accounting income
  - Trust does not allow amounts to be paid, permanently set aside or used in the tax year for charitable purposes
  - Trust does not distribute amounts from the principal of the trust (corpus)
- Complex trust
  - Any trust that is not a simple trust

Simple vs. Complex Trusts

A. An irrevocable trust may be either simple or complex.
B. The terms simple and complex are not found in the Internal Revenue Code.
C. They are, however, to be found in the regulations and on the form 1041 tax return and instructions and are frequently used in practice.

Simple vs. Complex Trusts

D. For a trust to qualify as a simple trust in any year, it must meet **all three** of the following criteria (§§ 651-652)

1. **The trust requires that all fiduciary accounting income must be distributed currently to the beneficiaries; and**
2. **The trust does not make charitable contributions; and**
3. **The trust does not distribute principal.**

Simple vs. Complex Trusts

E. The phrase "all accounting income be distributed currently" means that all fiduciary accounting income is required by the terms of the trust instrument to be distributed in the year that it is received.

F. The trustee must be under a duty to distribute the income currently.

G. The fact that the actual distribution is not made until after the close of the taxable year does not eliminate status of a simple trust.

Simple vs. Complex Trusts

H. If the trust requires all income to be distributed currently, then it is deemed to have been distributed (Reg. 1.65(a)-2).

I. If the trust does not qualify as a simple trust, then it is, by definition, a complex trust (§§ 661-663). The distinction is important in computing the distribution deduction for the trust.

Worksheet
Simple vs. Complex Trust Determination

For a trust to qualify as a SIMPLE TRUST, all answers to the following questions MUST BE YES – IRC §§651-652

	Yes	No
1. The Trust requires that all fiduciary accounting income must be distributed currently	______	______
2. The trust does not allow amounts to be paid, permanently set aside or used in the tax year for charitable purposes	______	______
3. The trust does not distribute amounts from the principal of the trust	______	______

If you answered NO to ANY of the above Questions, the trust does not qualify as a simple trust. It is a COMPLEX TRUST, IRC §§661-663, for the current year.

Charitable Trusts

- Complex Trusts
- Have charitable and non-charitable beneficiaries
- Charitable Remainder Trust
  - Charity gets the remainder <u>at the end</u> of trust term
- Charitable Lead Trust
  - Charity gets income <u>during</u> trust term

Tax Professional Alerts

- To attempt to prepare a trust tax return (form 941) the tax professional needs a minimum of two documents, the Last Will and Testament and the Trust Agreement.
- A trust can be a simple trust one year and a complex trust the next year
- All trusts will be treated as complex trusts in the final year, as the trust must distribute principal at the time of the final return.
- An election can be made for a qualified revocable trust (QRT) to be treated as part of and estate (IRC §645). A QRT is a trust, or portion of a trust, treated as owned by a decedent because the decedent had the power to revoke the trust on the date of death. (See form 8855)

Form **8855**
(Rev. January 2009)
Department of the Treasury
Internal Revenue Service

Election To Treat a Qualified Revocable Trust as Part of an Estate

OMB No. 1545-1881

Part I Estate (or Filing Trust) Information

Name of estate (or the filing trust, if applicable (see instructions))	**Employer identification number** (see instructions)
Name of executor (or the filing trustee, if applicable)	Type of entity prior to the election: ☐ Domestic estate ☐ Foreign estate
Number, street, and room or suite no. (or P.O. box number if mail is not delivered to street address)	☐ Domestic trust ☐ Foreign trust
City or town, state, and ZIP code (if a foreign address, see instructions)	Date of executor's appointment

Under penalties of perjury, I, as executor (or filing trustee):

- Confirm that under applicable local law or the governing document, I have the authority to make this election for the estate (if executor) or trust (if filing trustee) and to agree to the conditions of the election;
- Elect the treatment provided under section 645 for the above-named estate (or filing trust, if applicable);
- Confirm that an agreement has been reached with the trustees of each qualified revocable trust (QRT) joining in the election to allocate the tax burden of the combined electing trusts and related estate, if any, for each tax year during the election period in a manner that reasonably reflects each entity's tax obligation;
- Agree to ensure that the related estate's (or filing trust's, if applicable) share of the tax obligations of the combined electing trust(s) and related estate, if any, is timely paid to the United States Treasury;
- Agree to accept responsibility for filing a complete, accurate, and timely income tax return, when required by law, for the combined electing trust(s) and related estate, if any, for each tax year during the election period;
- (If I am the filing trustee) confirm that if there is more than one QRT making this election, that I have been appointed by the trustees of each QRT making this election to be the filing trustee and I agree to accept the responsibility of filing the appropriate income tax return for the combined electing trust(s) for each tax year during the election period and all other responsibilities of the filing trustee;
- (If I am the filing trustee) represent that no executor has been appointed for a related estate and to the best of my knowledge and belief, one will not be appointed;
- (If I am the filing trustee) agree that, if an executor is appointed for the related estate after this Form 8855 is filed, that I will complete and file an amended Form 8855 if the late appointed executor agrees to the election, and I agree to cooperate with the executor in filing any amended returns required to be filed as a result of the executor's appointment; and
- Confirm to the best of my knowledge and belief, that all information contained in this election and any accompanying statements or schedules is true, correct, and complete.

Signature of executor (or filing trustee)	Date

Part II Decedent Information

Name of decedent	SSN of the decedent	Date of death

Trust Filing Requirements

- Any taxable income for the tax year
- Gross income of $600 or more (regardless of taxable income)
- A beneficiary who is a nonresident alien

Trust Due Date

- Trusts must use a calendar year unless the trust is treated as wholly owned by a grantor, or falls under IRC section 501(a) tax-exempt trusts and IRC section 4947(a)(1) charitable trusts.
- Deadline is the 15th day of the fourth month after the close of the tax year, ie April 15th??
- Extensions are granted for 5 ½ months using form 7004

States with Inheritance Tax

- Connecticut
- Delaware
- District of Columbia
- Hawaii
- Illinois
- Iowa
- Kentucky
- Maine
- Maryland
- Massachusetts
- Minnesota
- Nebraska
- New Jersey
- New York
- Oregon
- Pennsylvania
- Rhode Island
- Tennessee
- Vermont
- Washington

Trust Accounting Income

- Importance: determines the amount paid to income beneficiaries each year. Categories of income (interest, dividends, capital gains, etc.) and expenses are assigned to income or principal.
- If trust document is silent on allocation, state law controls, usually determined by the state's principal and income act. http://www.statutes.legis.state.tx.us/Docs/PR/htm/PR.116.htm

Common Allocations

Income	Principal
Interest, dividends, rents, royalties	Capital gains and losses on investments
Operating income	Casualty losses and insurance recoveries
Operating expense	Extraordinary repairs
Taxes levied on income	Taxes levied on principal

Example of Accounting Income

	Income and Expenses	Accounting Income
Interest	$ 3,000.00	$ 3,000.00
Dividends	$10,000.00	$10,000.00
Capital Gains	$ 7,000.00	$ -0-
Trustee Fees	$(2,000.00)	$(1,000.00)
Tax Preparation	$ (400.00)	$ (200.00)
	$17,600	$11,800.00

Trust Taxable Income

- Computed in a manner similar to individual taxable income
  - No adjusted gross income concept
  - No standard deduction

Trust Taxable Income Calculation

Step 1: Calculate trust accounting income

Step 2: Calculate trust taxable income before income distribution deduction

Step 3: Compute distributable net income (DNI) and the distribution deduction

Step 4: Subtract the distribution deduction from the amount in step 2 to determine trust taxable income

Trust Taxable Income Calculation (continued)

Step 5: Calculate trust tax liability

Step 6: Allocated DNI and the distribution deduction to the beneficiaries to determine the amount and character of income taxed to each beneficiary

Depreciation

- May be deductible by trust, beneficiaries or allocated between them
- Trust document controls
- If document silent, depreciation apportioned based on share of trust accounting income
  - In such a situation a simple trust would allocate all depreciation to beneficiaries

Other Expenses

- Any expense attributable to earning tax-exempt income is nondeductible
- Indirect expenses such as trust administration fees must be allocated between taxable and tax-exempt income based upon their proportion of total income

Example of Tax-Exempt Allocation of Expenses

	Total Income	Accounting Income
Interest & Div	$ 4,000.00	$ 4,000.00
Rental Income	$14,000.00	$14,000.00
Muni Bond interest	$ 6,000.00	$ 6,000.00
Gross	$24,000.00	$24,000.00
Capital Gains	$ 7,000.00	$ -0-
Rental Expenses	$(9,000.00)	$(9,000.00)
Trustee Fees	$(3,000.00)	$ (750.00)

Rental expenses are directly allocable to taxable income and are deducted in full. Trustee Fees of $3,000 must be allocated:

$3000 expense x $6,000 tax-exempt interest/$24,000 Gross accounting income = $750 Reduction

Line 12 (form 1041) deduction = $3,000 - $750 = $2,250

Capital gains are included in gross accounting income only if allocated to income.

Form **1041** Department of the Treasury—Internal Revenue Service

U.S. Income Tax Return for Estates and Trusts

2016

OMB No. 1545-0092

▶ **Information about Form 1041 and its separate instructions is at *www.irs.gov/form1041*.**

A Check all that apply:
- ☐ Decedent's estate
- ☐ Simple trust
- ☐ Complex trust
- ☐ Qualified disability trust
- ☐ ESBT (S portion only)
- ☐ Grantor type trust
- ☐ Bankruptcy estate-Ch. 7
- ☐ Bankruptcy estate-Ch. 11
- ☐ Pooled income fund

For calendar year 2016 or fiscal year beginning , 2016, and ending , 20

Name of estate or trust (If a grantor type trust, see the instructions.)

Name and title of fiduciary

Number, street, and room or suite no. (If a P.O. box, see the instructions.)

City or town, state or province, country, and ZIP or foreign postal code

C Employer identification number

D Date entity created

E Nonexempt charitable and split-interest trusts, check applicable box(es), see instructions.
- ☐ Described in sec. 4947(a)(1). Check here if not a private foundation ▶ ☐
- ☐ Described in sec. 4947(a)(2)

B Number of Schedules K-1 attached (see instructions) ▶

F Check applicable boxes: ☐ Initial return ☐ Final return ☐ Amended return ☐ Net operating loss carryback ☐ Change in trust's name ☐ Change in fiduciary ☐ Change in fiduciary's name ☐ Change in fiduciary's address

G Check here if the estate or filing trust made a section 645 election ▶ ☐ Trust TIN ▶

Income	1	Interest income	1	
	2a	Total ordinary dividends	2a	
	b	Qualified dividends allocable to: **(1)** Beneficiaries ______ **(2)** Estate or trust ______		
	3	Business income or (loss). Attach Schedule C or C-EZ (Form 1040)	3	
	4	Capital gain or (loss). Attach Schedule D (Form 1041)	4	
	5	Rents, royalties, partnerships, other estates and trusts, etc. Attach Schedule E (Form 1040)	5	
	6	Farm income or (loss). Attach Schedule F (Form 1040)	6	
	7	Ordinary gain or (loss). Attach Form 4797	7	
	8	Other income. List type and amount	8	
	9	**Total income.** Combine lines 1, 2a, and 3 through 8 ▶	9	
Deductions	10	Interest. Check if Form 4952 is attached ▶ ☐	10	
	11	Taxes	11	
	12	Fiduciary fees	12	
	13	Charitable deduction (from Schedule A, line 7)	13	
	14	Attorney, accountant, and return preparer fees	14	
	15a	Other deductions **not** subject to the 2% floor (attach schedule)	15a	
	b	Net operating loss deduction. See instructions	15b	
	c	Allowable miscellaneous itemized deductions subject to the 2% floor	15c	
	16	Add lines 10 through 15c ▶	16	
	17	Adjusted total income or (loss). Subtract line 16 from line 9 | 17 |		
	18	Income distribution deduction (from Schedule B, line 15). Attach Schedules K-1 (Form 1041)	18	
	19	Estate tax deduction including certain generation-skipping taxes (attach computation)	19	
	20	Exemption	20	
	21	Add lines 18 through 20 ▶	21	
Tax and Payments	22	Taxable income. Subtract line 21 from line 17. If a loss, see instructions	22	
	23	**Total tax** (from Schedule G, line 7)	23	
	24	**Payments: a** 2016 estimated tax payments and amount applied from 2015 return	24a	
	b	Estimated tax payments allocated to beneficiaries (from Form 1041-T)	24b	
	c	Subtract line 24b from line 24a	24c	
	d	Tax paid with Form 7004. See instructions	24d	
	e	Federal income tax withheld. If any is from Form(s) 1099, check ▶ ☐	24e	
		Other payments: **f** Form 2439 ______ ; **g** Form 4136 ______ ; Total ▶	24h	
	25	**Total payments.** Add lines 24c through 24e, and 24h ▶	25	
	26	Estimated tax penalty. See instructions	26	
	27	**Tax due.** If line 25 is smaller than the total of lines 23 and 26, enter amount owed	27	
	28	**Overpayment.** If line 25 is larger than the total of lines 23 and 26, enter amount overpaid	28	
	29	Amount of line 28 to be: **a Credited to 2017 estimated tax** ▶ ; **b Refunded** ▶	29	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of fiduciary or officer representing fiduciary | Date | ▶ EIN of fiduciary if a financial institution

May the IRS discuss this return with the preparer shown below (see instr.)? ☐ Yes ☐ No

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11370H Form **1041** (2016)

Exemptions

- All trusts entitled to a personal exemption except in final year
- Trusts required to distribute all income annually receive an exemption of $300
- Other trusts receive $100 exemption

Distributable Net Income (DNI)

- Defines the maximum possible income distribution deduction and maximum possible income from trust taxable to beneficiaries
- Distributable does not necessarily means that it was actually distributed
  - Trust document may dictate distributions
    - Examples: minors, spendthrift, incapacitation

Distributable Net Income Calculation

Start:	Taxable income before distribution deduction
Add:	Personal exemption
Subtract:	Capital gains allocated to principal
Add:	Capital losses allocated to principal
Add:	Tax-exempt interest
Subtract:	Expenses allocated to tax-exempt income

Trust Tax Liability

- Tax rates are steeply progressive reaching the maximum rate of 39.6% with only $12,500 of taxable income in 2017
- Often beneficiaries are in lower rate brackets

Additional Tax Liability

- 3.8% surtax applies to lesser of:
  - 1) undistributed net investment income or
  - 2) excess of AGI over $12,500 (2017)

Character of Income

- If more than one type of income is distributed from a complex trust, it must be allocated proportionately among income beneficiaries

Trust Property Distributions

- Property passes out at its adjusted basis
- Trust does not recognize gain or loss on distribution
- Beneficiary takes carryover basis
- Holding period tacks

Trust Property Distributions

- At the option of the trustee, the trust may elect to recognize gain on distributions of appreciated property
  - Distribution treated as made at fair market value to beneficiary
  - Holding period begins on date of the distribution

Questions??

- Contact information: Melissa Simmons
- 972-548-1040
- Some of the material used for this presentation was taken from NCPE, National Center for Professional Education, Inc. and NCPE Fellowship's 2017 presentation of What's Happening in the World of Tax. Permission granted by Beanna Whitlock, EA.