

Income Taxation of Trusts and Estates
Sample True False Examination Question and Answer
Spring Semester, 2004
Professor C. Harvey

True False Question

A complex trust can never have a personal exemption of \$300.

Answer

False. A complex trust can have a personal exemption of \$300. Section 642(b)(2)(B) states that a trust that is required to distribute all of its income currently is entitled to a \$300 personal exemption. Under Section 651(a), a simple trust is a trust that is required to distribute its income currently, has no charitable beneficiaries, and distributes no amounts other than required income distributions during the year. If a trust is not simple, it is complex under Section 661. A trust with a required income distribution that also distributes principal during the year is both a complex trust and entitled to a \$300 personal exemption.