

INCOME TAXATION OF TRUSTS AND ESTATES
Supplemental Complex Trust Problems
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All of the problems involve a complex trust governed by Sections 661-662. For purposes of allocating any indirect expenses, assume that the allocation is based on the proportionate amounts of gross fiduciary accounting income. For each trust, calculate the following:

- a. Taxable income before income distribution deduction.
 - b. Fiduciary accounting income (if applicable).
 - c. Distributable net income.
 - d. Income distribution deduction.
 - e. Gross income of beneficiary.
 - f. Character of income to beneficiary.
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1. Complex trust (income purely discretionary) with the following:
Interest Income \$10,000
Dividend Income \$20,000

Trustee distributes \$18,000 to A.

 2. Complex trust (income purely discretionary) with the following:
Interest Income \$10,000
Dividend Income \$20,000

Trustee distributes \$25,000 to A.

 3. Complex trust (income purely discretionary) with the following:
Interest Income \$10,000
Dividend Income \$20,000
Trustee Fee \$5,000 (all chargeable to income)

Trustee distributes \$20,000 to A.

 4. Complex trust (income purely discretionary) with the following:
Interest Income \$10,000
Dividend Income \$20,000
Capital Gain \$10,000
Trustee Fee \$5,000 (all chargeable to income)

Trustee distributes \$10,000 to A and \$5,000 to B.

5. Complex trust (income required to be distributed) with the following:

Interest Income	\$10,000
Dividend Income	\$20,000
Tax Exempt Interest	\$10,000
Trustee Fee	\$8,000 (all chargeable to income)

Trustee distributes income of \$32,000 to A and principal of \$18,000 to B.

6. How does your answer to Problem 5 change if the trustee fee is chargeable to principal and the trust requires the trustee to distribute \$40,000 to A, and the trustee exercises discretion and distributes principal of \$18,000 to B?