



## Trust Income Tax: Not for the Faint of Heart

by Tracy Cook, CPA

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As a tax professional specializing in fiduciary (trust and estate) income tax preparation, it pains me to see an incorrectly prepared trust return. Both tax professionals and those who prepare their own return fall into the trap of thinking that a trust return is more or less the same as an individual return. Many of the income and deductions appear to be the same, but looks can be deceiving. Unfortunately, many individual income tax preparers do not understand the many nuances of the tax laws for trusts and estates.

No matter who is preparing the return, there are three things that everyone signing a trust return needs to be aware of:

1. Is the will or trust being followed?

The will and/or trust document is the legal document that dictates who gets what and when. Nobody should prepare an income tax return or advise you without having familiarized themselves with the will or trust. You wouldn't try to get around London without a map (or at least Google Maps), don't try to navigate a fiduciary tax return without the proper documentation.

2. Does a return even need to be filed?

The IRS requires an estate/trust to file an income tax return if the gross income of the trust is \$600 or more. It does not matter whether the income is nontaxable or taxable, nor if the income is distributed or not distributed. On the other hand, if there is less than \$600 of gross income and a return may not need to be filed. Keep in mind, there are valid reasons for filing a small return, but understand why.

3. What type of trust is filing?

Tax preparers fall into a bad habit called "Same As Last Year" or SALY. Unfortu-

nately, when it comes to classifying what type of fiduciary income tax return is being prepared, many tax preparers will simply follow the previous year, even though classification may change. The three main options for classification are a Simple Trust, a Decedent's Estate, and a Complex Trust.

A Simple Trust is a trust in which all the net accounting income is required to be distributed to the beneficiary AND no additional principal has been distributed. An Estate is a special category eligible for benefits that do not apply to simple or complex trusts. All trusts that are not Simple Trusts, or Decedent's Estates are by definition Complex.

The rules governing when taxes need to be paid, how the income is taxed, and some deductions differ based on the classification of the fiduciary type. If you sign the return as the fiduciary (executor, trustee or administrator) you are ultimately responsible for what is presented on the return and for opportunities that may have been missed due. Remember, trustees may be sued by beneficiaries for tax missteps that cost the trust money.

These three issues need to be addressed before a tax return is even started. Once pencil is put to paper, there are even more details that need to be examined. Having competent advice on trust tax preparation is crucial, and if you haven't had conversations with your preparer about the above issues, perhaps it's time for a second opinion.

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## Labor Day Travel to Mt. Rushmore

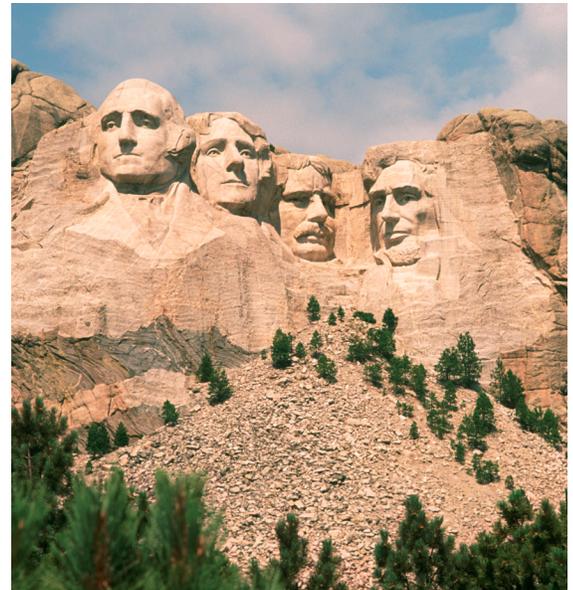
By history.com

Mount Rushmore, located just north of Custer State Park in South Dakota's Black Hills National Forest, was named for the New York lawyer Charles E. Rushmore, who traveled to the Black Hills in 1884 to inspect mining claims in the region.

Seeking to attract tourism to the Black Hills in the early 1920s, South Dakota's state historian Doane Robinson came up with the idea to sculpt "the Needles" (several giant natural granite pillars) into the shape of historic heroes of the West. He suggested Red Cloud, a Sioux chief, as a potential subject.

In August 1924, Robinson contacted Gutzon Borglum, an American sculptor of Danish descent who was then working on carving an image of the Confederate General Robert E. Lee into the face of Georgia's Stone Mountain. Borglum suggested that the subjects of the South Dakota work be George Washington and Abraham Lincoln, as that would attract more national interest. He would later add Thomas Jefferson and Theodore Roosevelt to the list, in recognition of their contributions to the birth of democracy and the growth of the United States. In Borglum's original design, the four presidents were meant to be represented from the waist up, but insufficient funding brought the carving to a halt after completion of their faces.

Local Native Americans and environmentalists voiced their opposition to the project, deeming it a desecration of the natural landscape, but Robinson worked tirelessly to raise funding for the project, aided by Rapid City Mayor John Boland and Senator Peter Norbeck, among others. After President Calvin Coolidge traveled to the Black Hills for his summer vacation, the sculptor convinced the president to deliver an official dedication speech at Mount Rushmore on August 10, 1927; carving began that October.



Some 400 workers removed around 450,000 tons of rock from Mount Rushmore, which still remains in a heap near the base of the mountain. Though it was arduous and dangerous work, no lives were lost during the completion of the carved heads.

On July 4, 1930, a dedication ceremony was held for the head of Washington. After workers found the stone in the original site to be too weak, they moved Jefferson's head from the right of Washington's to the left; the head was dedicated in August 1936, in a ceremony attended by President Franklin D. Roosevelt.

A bill introduced in Congress in 1937 proposed that a carving of Susan B. Anthony's head be included among the luminaries at Mount Rushmore, but fell through due to a rider on the existing appropriations bill mandating that federal funds be spent only on those carvings already begun.

Gutzon Borglum died in March 1941, and it was left to his son Lincoln to complete the final details of Mount Rushmore in time for its dedication ceremony on October 31 of that year.