



SENATE BILL 468: Trust Taxable Income Clarification

2015-2016 General Assembly

Committee:	Senate Re-ref to Judiciary II. If fav, re-ref to Finance	Date:	April 13, 2015
Introduced by:	Sen. Hartsell	Prepared by:	Bill Patterson
Analysis of:	PCS to First Edition S468-CSTGxf-7		Committee Counsel

SUMMARY: *The PCS for Senate Bill 468 would clarify the manner in which trust and estate income is allocated for State income tax purposes.*

CURRENT LAW: G.S. 105-160.2 imposes a tax on the income of estates and trusts that is also taxable under the Internal Revenue Code.

BILL ANALYSIS:

The PCS provides that the tax be computed as follows:

- On a nonresident estate or nonresident trust, but only to the extent that the income (i) is derived from North Carolina sources and is attributable to the ownership of any interest in real or personal property in the State or (ii) is derived from a business, trade, or occupation in this State.
- On a resident estate or resident estate that is for the benefit of a resident current beneficiary.
- On a resident trust or a resident estate for the benefit of a nonresident current beneficiary, but only to the extent that the income (i) is derived from North Carolina sources and is attributable to the ownership of any interest in real or personal property in this State or (ii) is derived from a business, trade, or occupation carried on in this State.

This section also provides that taxable income of resident estates and resident trusts must be apportioned between resident and nonresident current beneficiaries on a rational basis. The taxable income of a resident estate or resident trust must be equally apportioned among all current beneficiaries unless the fiduciary apportions and reports the taxable income using an alternative approach and attaches to its tax return items reflecting a rational basis for the alternative approach, the terms of the governing instrument, and other relevant facts and circumstances.

EFFECTIVE DATE: The act is effective for taxable years beginning on or after January 1, 2015.

Brad Krehely, counsel to Senate Judiciary I, substantially contributed to this summary.

