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The Other Grantor Trust Section: Current Developments Regarding Code Sec. 678

The grantor trust rules of Subpart E focus on those circumstances under which the income of a trust is taxed to the grantor or the transferor to a trust. When those rules are triggered, a trust is not considered a wholly separate taxpayer. Generally, the grantor of the trust is required to include in computing her taxable income those items of income, deduction and credit against tax, which are attributable to or included in any portion of such trust of which she is treated as the owner. In 1954, Congress codified the court's approach and added to Subpart E Code Sec. 678, which defines those circumstances when someone other than the grantor is treated as the owner of the trust for income tax purposes. Neal Gerber Eisenberg partner and Private Wealth Services chair Lawrence I. Richman authored an article that appears in the July/August 2007 edition of the *CCH's Journal of Passthrough Entities*.

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