

# David L. Buterbaugh, P.C.

CERTIFIED PUBLIC ACCOUNTANT

8040 E. Morgan Trail • Suite 15 • Scottsdale, AZ 85258-1211 • 480 905-3640 • FAX 480 905-3642

January 27, 2022

To Our Valued Trust Clients:

Still in effect with your **2021** tax return, is the 3.8% net investment income tax (NIIT) which may potentially apply to your trust if it has taxable income.

For a trust, this additional tax applies to the **lesser** of:

- Undistributed net investment income, or
- Trust income in excess of \$12,950

**It may be possible**, in some circumstances, to take action by March 6, 2022 (IRC Section 663(b): 65-day rule election) to minimize or eliminate this tax to the trust by paying a distribution. Therefore, we highly recommend you return your completed tax organizer, along with **copies** of all applicable information, to us no later than February 18, 2022.

**If you require our assistance with the 65 day rule, please email us ([jamie@buterbaughcpa.com](mailto:jamie@buterbaughcpa.com)) prior to February 18<sup>th</sup> to request our assistance.**

Please bear in mind that most trusts, unless specifically indicated in the trust documents, are not allowed to pass through Capital Gains income. Thus, if your trust generated Capital Gains income during the year, most likely the Capital Gain will still be taxed to the trust regardless of any beneficiary distributions.

In general, it is typically beneficial to distribute trust income to the beneficiaries, as long as the trust document allows for this, as the beneficiary's tax rate is generally lower than that of the trust. If the trust has not already distributed the income for 2021, and the trust document allows the trustee to do so, the trustee may elect to include distributions made during the first 65 days of the following year as distributions for the current year. (FYI – Simple trusts do not need to make this election as required distributions are considered distributed whether or not they actually make distributions.)

**Please be sure to complete our questionnaire along with the organizer.**

Tax returns will be processed on a **first-in basis** – once **all copies** of requested information have been provided. If your information is received after February 18, we may need to extend your returns.

**If you prefer NOT to extend your Trust tax returns, please provide ALL items by February 18, 2022.**

**PLEASE NOTE:** Trust tax returns are due on the 15<sup>th</sup> day of the 4<sup>th</sup> month following the close of the year. This year, for a calendar year Trust, **the due date is April 18, 2022!**

**Please** list the name of each beneficiary below and the amount of distributions paid to each beneficiary in, or for (if making the election above) 2021.

Thank you.

Sincerely,



David L. Buterbaugh, CPA

Name of Trust: \_\_\_\_\_

Beneficiary (Name, Address, SSN & Birthdate) (Please Note Any Changes in Address)	Amount of Distribution Paid in 2021
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

\_\_\_\_\_  
**Signature – Trustee**

\_\_\_\_\_  
**Date**