



Educational Session

Webinar Conducted by
Dennis Sandoval

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Taxation of Special Needs Trusts from A to Z

Dennis M. Sandoval, J.D., LL.M. (Tax), CELA

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- Trust whose income is taxable to the trustor, no matter who the beneficiary of the income from the trust assets might be
 - Most grantor trusts are created through the retention of a right of revocation or a power to appoint the trust assets
 - IRC § 676
 - An irrevocable trust can be a grantor trust if a grantor trust power is retained by the trustor or allowable third party
 - Usually IRC §§ 674 or 675

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Trustor creates an irrevocable trust in which he retains a limited power of appointment. The income beneficiary is his mother. Even though mother receives all the income, the income is taxable to trustor son




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First Party Trust

Because a First Party Special Needs Trust is created with the disabled individual's assets and those assets are held for the benefit of the disabled individual during his or her lifetime, a First Party SNT would always be taxed as a grantor trust during the lifetime of the disabled individual. It does not matter that the trust is irrevocable or that a third party serves as trustee of the First Party Trust.

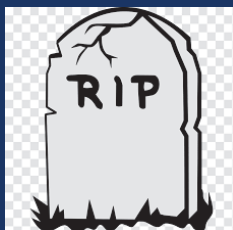


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Grantor Trust

A grantor trust will become a non-grantor trust upon the death of the grantor (The trustor can no longer exercise the grantor trust power and even more fundamentally, the social security number of a deceased person cannot be used to report income earned after death)



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