

Income Taxation of Third-Party Special Needs Trusts

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INTRODUCTION

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INTRODUCTION

- ▶ SNT can be grantor, non-grantor, complex, Qualified Disability Trust
- ▶ Classification dramatically affects income tax
- ▶ IRAs left to SNT result in income taxation
- ▶ Non-grantor trust—highest tax bracket quickly
 - ▶ May be subject to NII tax

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INTRODUCTION

- ▶ Understanding the taxation of third-party SNTs
 - ▶ Essential for planning
 - ▶ Impact on trustee's duties
 - ▶ Impact on the life of beneficiary

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INTRODUCTION

- ▶ First-Party SNTs
 - ▶ Grantor trusts as to beneficiary
 - ▶ Income taxed to beneficiary, not trust

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QUALIFIED DISABILITY TRUSTS

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