

insights

TYPES NOT MAPPED YET January 28, 2020 | TTR not mapped yet | Steve B. Gorin

Sale of Interest in Trust; Negative Capital Accounts; Final Regs on Transfer for Value

Webinar

First, the IRS has issued private letter rulings deeming an income taxable sale when a trustee commuted a trust. We will review the rules on whether changes to a trust will trigger income tax consequences.

Next, the IRS has started requiring partnerships to report “tax basis” capital accounts, presumably with an eye toward scrutinizing “negative basis.” “Negative basis” is the colloquial description where liabilities allocated to one’s partnership interest exceed basis, so that the disposition would be subject to income tax; and the IRS may be seeing whether those are ripe for current taxation. We will briefly review the reporting and the income tax planning.

Finally, on Halloween final regulations were issued rewriting the rules of when a transfer of a life insurance policy will cause the death benefit to be subject to income tax. We will go through the basics of the new rules.

You will learn:

- What are the consequences when a modification or other change to a trust trigger income tax.
- Which modifications or other changes to trusts definitely avoid income tax, which definitely trigger income tax, and what is uncertain.
- Strategy to minimize any adverse income tax consequences of a modification or other change to a trust.
- What reporting of “tax basis” capital accounts is required.
- Basic income tax planning for partnership interests with liabilities in excess of basis.
- When a transfer of a policy will trigger income taxation of its death benefit, including changes arising from 2017 tax reform and changes to the rules that apply even if 2017 tax reform does not apply.
- How to cleanse a policy of this taint.

CLE

The live presentation of this webinar was approved for 1.5 hours of general CLE credit in California and Illinois and 1.8 hours of general CLE credit in Missouri. CLE credit is no longer available for this recording.

Presenter:

[Steve Gorin](#)

**Please note that this is a 90-minute webinar*

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Steve's current materials, [Structuring Ownership of Privately-Owned Businesses: Tax and Estate Planning Implications](#), are available by emailing sgorin@thompsoncoburn.com.



Originally Presented:

January 28, 2020

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