

Fiduciary Income Tax Returns, 1997

by Jacob M. Mikow

For 1997, approximately 3.4 million income tax returns were filed for estates and trusts reporting an aggregate gross income of \$90.9 billion and a total tax liability of over \$12.2 billion. While just over a third of these returns incurred a tax liability, gross income for these taxable returns accounted for 73.8 percent, or \$67.1 billion, of aggregate gross income. In addition, of the 3.4 million returns filed, over 1.2 million returns, or 35.9 percent, reported no gross income. Capital gains represented the largest single source of income for estates and trusts, totaling \$47.9 billion, or 52.7 percent of aggregate gross income. On the other hand, distributions to beneficiaries accounted for the largest share of total deductions, 64.7 percent, totaling \$33.1 billion.

Introduction

Due to the notable amount of wealth that passes into and out of estates and trusts, examination of these entities is important for legal, tax, and asset transfer considerations. Legally, an estate or trust is a separate entity from its creator and, thus, can incur tax liability. Although a trust can be created by use of a will or an *inter vivos* instrument or declaration, an estate can come into existence only upon the death or bankruptcy of an individual [1]. While an estate generally contains all assets owned by a decedent or an individual in bankruptcy, a trust is a legal arrangement where title to specific property is transferred to the trust. Similar to the different ways estates and trusts are formed, the motives for their creation also vary. An estate is created upon the death of a decedent and remains in existence until all of the decedent's debts have been paid, if possible, and the property is either liquidated or distributed to the heirs and other beneficiaries of the decedent. However, for bankruptcy estates, the formation of the entity may be for either liquidation (Chapter 7) or business reorganization (Chapter 11), and the estate may exist for an indeterminate period. Trusts, on the other hand, can be formed for a variety of reasons, such as planning for transfers at death, structuring

access to assets and income, providing for family members' well-being after the death of the grantor, or avoiding probate. Thus, trusts are created to satisfy the numerous motives of their grantors, their

creators. Even though estates and trusts can be created in different ways and for different reasons, all perform the same basic function. This function is taking control of assets for the purpose of protecting or conserving those assets for beneficiaries, which includes payment of appropriate taxes.

To perform this function, every estate and trust must have a representative to direct and manage the entity. This representative, or fiduciary, is designated by a will or a trust document, also known as the governing instrument, or by applicable law. A trustee of a trust or bankruptcy estate, as well as an executor or administrator of a decedent's estate, is considered a fiduciary [2]. If applicable, a court-appointed agent would also be considered a fiduciary. As described by the governing instrument and local law, a fiduciary exercises controlling power, and thus all legal responsibility, over a trust or an estate. Fiduciaries are the gatekeepers for estates and trusts. They ensure that assets in their custody are managed with due diligence and are distributed in compliance with trust or estate documents and applicable law. Moreover, most fiduciaries attempt to follow the intention or "spirit" of a grantor's or decedent's wishes in situations not specifically addressed by the governing instrument. In addition, all applicable tax forms and legal documents are prepared, completed, and filed timely under the supervision of the fiduciary.

Estate and Trust Income Tax Law

Estates and trusts are legal entities separate from their grantors that can incur Federal income tax liability [3]. For the purposes of reporting income and tax liability for estates and trusts, fiduciaries file Form 1041, *U.S. Income Tax Return for Estates and Trusts*. This form is used to report income and deductions of the estate or trust, including any income that is distributed to beneficiaries. In addition, tax liability incurred and any applicable payments or credits are reported on the return.

For 1997, income tax returns filed for trusts and estates reported \$90.9 billion in gross income.

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A fiduciary must file Form 1041 for a domestic estate or trust that meets at least one of the following four criteria (whichever is applicable): (1) the trust had any taxable income or gross income of \$600 or more, regardless of the amount of taxable income for the tax year; (2) the decedent's estate had gross income of \$600 or more for the tax year; (3) the trust or decedent's estate had a beneficiary who is a nonresident alien; or (4) the bankruptcy estate had gross income that equaled or exceeded the sum of the individual personal taxpayer exemption amount and the basic standard deduction for married taxpayers filing separately, which was \$6,100 or more for Tax Year 1997 (see Figure A) [4]. It is, however, not uncommon for returns to be filed for estates and trusts even when such filing is not required. The return must be filed on or before the 15th day of the 4th month following the close of the tax year. Moreover, trusts and estates may request an extension of the filing deadline with the length of the extension dependent on the type of entity and circumstances (usually 3 months for most filers). Also, trusts must generally adopt a calendar year as the tax year for income tax purposes. Estates, on the other hand, may choose either a calendar or any fiscal year as the tax year [5].

All income earned in a tax year by a trust or estate is reported on Form 1041 in one of eight categories. These categories are: interest; ordinary

dividends; capital gains; business income; farm income; ordinary gains; rents, royalties, partnership income, and income from other estates and trusts; and other income. While interest, ordinary dividends, and capital gain income chiefly stem from financial securities, income from businesses, farms, and ordinary gains, along with income from rents, royalties, partnerships, and other estates and trusts, is mainly related to business operation and the sale of business property. Other income includes gains from miscellaneous sources such as "income in respect of a decedent" (IRD) and distributions from retirement assets [6]. The total of these eight income categories is collectively called gross income.

Allowable deductions for estates and trusts, like income categories, include a variety of items. Among these, estates and trusts may deduct interest on debt, certain taxes, and fees for professional services (including fiduciary fees). In addition, any payments of gross income made pursuant to the terms of the governing instrument for a charitable purpose specified in Internal Revenue Code section 170(c) are deductible, as well as any allowable miscellaneous items not included in the previous categories [7]. Also, depending on the type of estate or trust, a deduction for a standard exemption, which ranges from zero to \$600, is allowed. The remaining deduction, which is a major distinction between estates and trusts and other income tax return filers, such as individuals, is for distributions to beneficiaries. The income distribution deduction, as it is called, is allowed for amounts paid, credited, or required to be distributed to beneficiaries, subject to the distributable net income limitation [8].

Because of the income distribution deduction, some trusts and estates are considered conduits or "pass-through" entities for tax purposes. Generally, beneficiaries pay income taxes on the part of income distributed to them, while the estate or trust pays income tax on the portion that is accumulated but not distributed to beneficiaries [9]. Depending on the amount of income that is distributed and to whom, in addition to the terms of the estate or trust governing instrument, income tax liability may be incurred by the beneficiary, the trust, the estate, and/or the trust's grantor [10]. Accordingly, since the amount of income distributed to beneficiaries can vary from year to year, income tax liability may be shifted between estates and trusts and beneficiaries [11].

Figure A

Filing Elements for Estate and Trust Income Tax, Tax Year 1997

Filing threshold	Trusts - Any taxable income, gross income of at least \$600, or a nonresident alien beneficiary Decedent estates - Gross income of at least \$600 or a nonresident alien beneficiary Bankruptcy estates - Gross income of at least \$6,100
Filing deadline	15th day of the 4th month after the close of the tax year
Filing extension	Usually 3 months
Tax year	Trusts - Usually calendar year Estates - Calendar or any fiscal year

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When filing Form 1041, a fiduciary of an estate or trust is not required to file a copy of the will or trust document with a return unless the Internal Revenue Service (IRS) requests it. However, a fiduciary is obligated when filing to attach a copy of each Schedule K-1, *Beneficiary's Share of Income, Deductions, Credits, Etc.*; a schedule that details estate or trust beneficiaries and distributions to them. Moreover, each beneficiary who receives a distribution from an estate or trust for the tax year must be given a Schedule K-1 that details his or her distribution. Also, fiduciaries of all trusts and estates that have been in existence for more than 2 years must pay quarterly estimated tax, based on prior-year income. Estimated tax, in addition to any amounts applied from the previous year's return, tax paid with an extension to file, Federal income tax withheld, and credit for tax paid on certain capital gains and fuels, composes prior payments. However, unlike other amounts paid previous to filing, fiduciaries may elect to have any portion of estimated tax paid by the estate or trust treated as payment of estimated tax made by a beneficiary or beneficiaries, which is recorded on each beneficiary's Schedule K-1 [12].

Apart from reporting amounts for income, deductions, distributions, and tax liability, Form 1041 also requires such nontax information as: the fiduciary name and address; the date the estate or trust was

From Tax Years 1977 to 1997, the number of income tax returns filed for trusts and estates doubled.

created; the employer identification number (or taxpayer identification number) of the entity; the name, address, and Social Security number of the paid preparer (if used); the type of entity; identification information related to beneficiaries; notation of a final, initial,

or amended return; and information regarding nonexempt charitable and split-interest trusts. Overall, the type of entity is one of the more important indicators on the return. This item reveals the structure of the entity, the allowable standard exemption amount, the fashion in which income will be distributed, who will or can incur tax liability, and the length of time the entity may reasonably be expected to exist. For administrative and processing purposes, each return is classified as one of the following seven types of

entities: (1) decedent's estate; (2) simple trust; (3) complex trust (including generation-skipping trust); (4) grantor trust; (5) ancillary trust or estate; (6) bankruptcy estate; and (7) split-interest trust.

After a brief overview of filers, the following sections will describe each of the preceding entity types, along with an analysis of data reported from Form 1041, for Tax Year 1997. Items such as income, deductions, beneficiary distributions, taxable income, and tax liability will be addressed. In addition, termination of entities will be discussed. Reference material, as well as detailed tables for the data, can be found at the end of the article.

Overview of Filers

According to IRS statistics from Tax Years 1977 to 1997, the number of fiduciary returns filed for estates and trusts for income tax purposes doubled from 1.7 million returns to 3.4 million returns (see Figure B) [13]. The increase in returns between 1982, the last year for which Statistics of Income (SOI) published data, and 1997 was 70.0 percent [14]. Over this 15-year period, the nominal increase in the reported tax liability was 369.2 percent, from \$2.6 billion to \$12.2 billion. The overall increase in the number of returns filed over this 20-year period may be due, in part, to several factors such as increased popularity of trusts in estate planning, growth in the population, and personal wealth accumulation.

On the 3.4 million returns filed for Tax Year 1997, fiduciaries reported \$90.9 billion in gross income, \$51.1 billion in total deductions, and \$12.2 billion in tax liability. Although grantor trusts accounted for the largest number of returns, complex trusts reported the largest share of aggregate gross income, 49.1 percent (see Figure C). In addition, complex trusts collectively reported the largest share of aggregate deductions, 38.7 percent, though the percentage of deductions attributable to simple trusts, 37.7 percent, was similar. Furthermore, complex trusts incurred over half of the total reported tax liability.

Decedent Estates

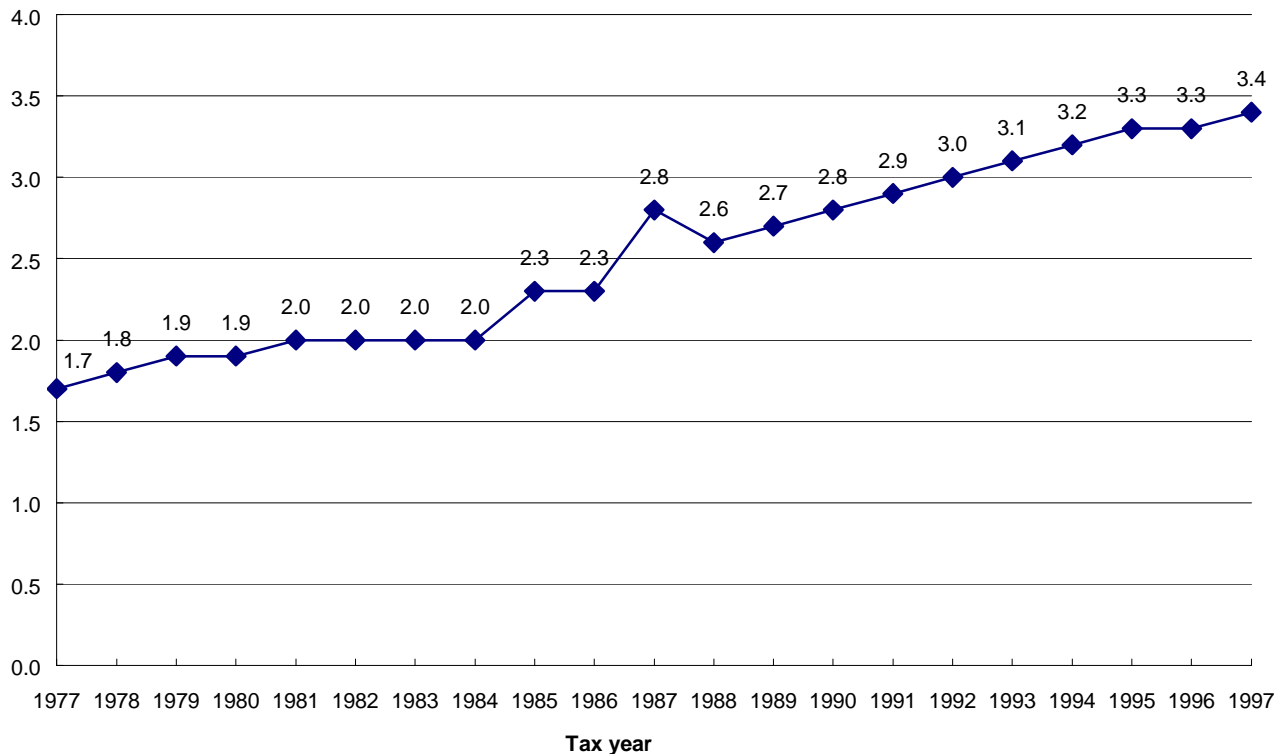
The estate of a deceased person is a taxable entity that exists until all debts are paid, if possible, and assets have been distributed to heirs and other beneficiaries of the decedent. The income earned from the assets of the estate during the period of

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Figure B

Fiduciary Returns, Tax Years 1977-1997

Number of returns (in millions)



administration or settlement, which is usually no more than 3 years but can be much longer in some cases, is subject to tax. Generally, property received by the beneficiary of an estate, valued on the date of a decedent's death, is not taxable income to the beneficiary. However, any income accruing after the decedent's death will be taxed to whomever realizes the gain. Therefore, income received by the estate will be taxed either to the estate (if not distributed in the year that the income was received) or to the beneficiary. In addition, capital gains realized by the estate are ordinarily taxed to the estate. Income distributed must be reported on the beneficiary's income tax return and is allowable as a deduction for the estate [15].

For 1997, there were 411,744 returns filed for estates of decedents (see Figure D). Gross income for these estates was almost \$10.0 billion. Capital gains represented the largest positive source of

income at \$3.3 billion, and were reported on 45.5 percent of these returns. On the other hand, the largest source of aggregate loss was ordinary gains, which totaled negative \$102.7 million [16]. This net amount was reported on only 2.2 percent of decedent estates.

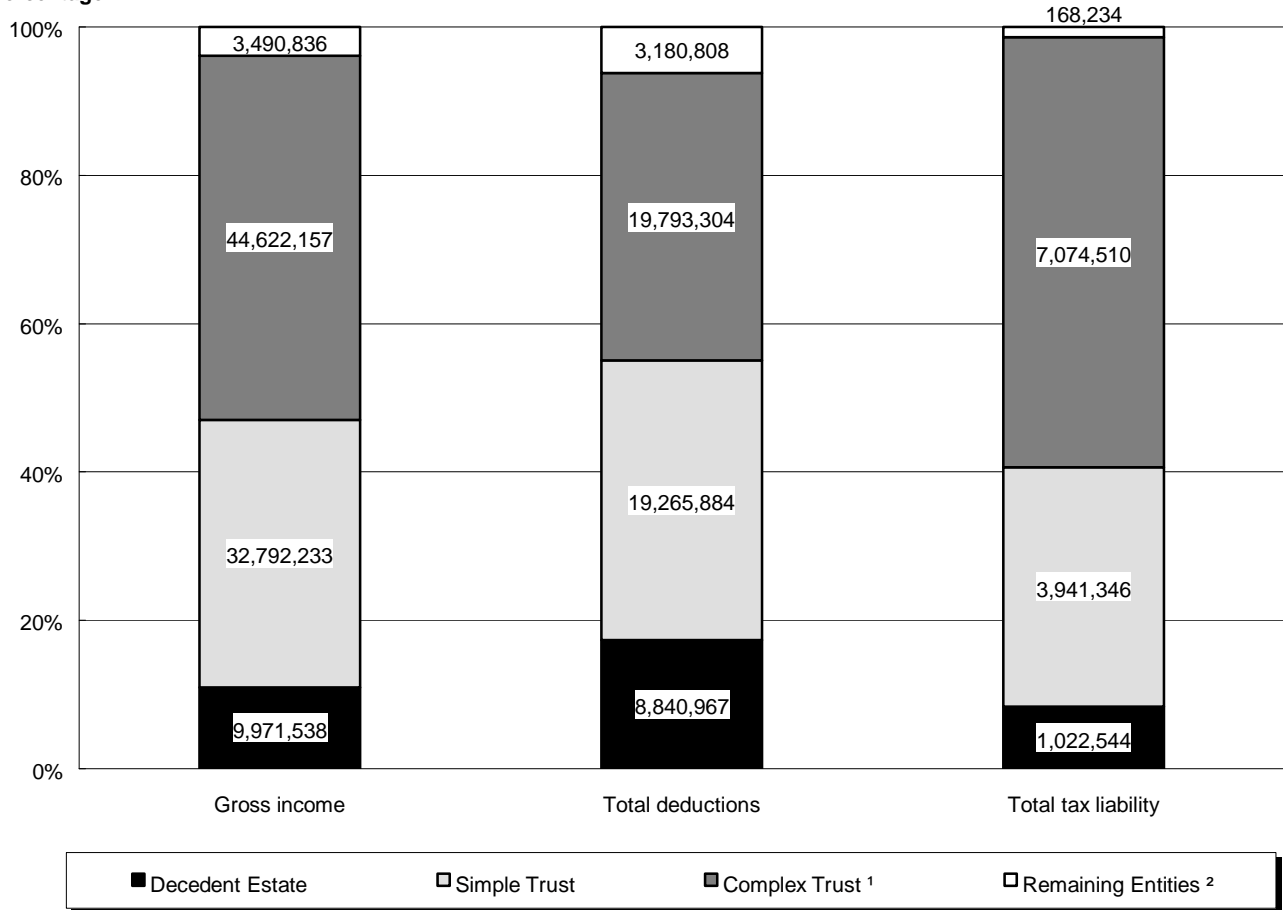
For decedent estates, aggregate deductions were over \$8.8 billion. The deduction for income distributed to beneficiaries accounted for 53.4 percent of this amount. The second largest deduction was claimed for attorney, accountant, and return preparer fees, which totaled just under \$1.1 billion, or 12.2 percent of total deductions. In addition, although decedent estates are allowed an unlimited charitable deduction for amounts paid to IRS-recognized charities out of gross income, only 4.7 percent of estates reported a charitable deduction amount. Also, while all decedent estates are allowed a standard deduction of \$600, only 66.2 percent reported an exemption

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Figure C

Distribution of Gross Income, Total Deductions, and Total Tax Liability, by Entity Type, Tax Year 1997

Percentage



¹ Includes generation-skipping trust.

² Includes grantor trust, partial grantor trust, ancillary estate or trust, bankruptcy estate, and split-interest trust.

NOTE: Money amounts are in thousands of dollars.

Figure D

Decedent Estates, Selected Items, Tax Year 1997

(Money amounts are in thousands of dollars)

Item	Number	Percent ¹	Amount	Percent ¹
	(1)	(2)	(3)	(4)
Gross income.....	411,744	12.2	9,971,538	11.0
Total deductions.....	396,607	17.8	8,840,967	17.3
Income distribution deduction...	133,922	11.2	4,717,768	14.3
Taxable income.....	111,824	9.8	3,395,569	7.2
Total tax liability.....	111,068	9.7	1,022,544	8.4

¹ Percentage of all Form 1041 returns reporting this item or percentage of the collective amount reported for this item on all Form 1041 returns.

amount. In almost all cases, this was due to the fact that there was no taxable income or it was negative, and, thus, the exemption was not needed.

For all income tax returns filed for decedent estates, reported tax liability totaled \$1.0 billion. This amount represented the third largest tax liability for all estate and trust types. Of all decedent estates, tax liability was incurred by less than one-third of filers, or 27.0 percent. In addition, these taxable decedent estates composed 9.7 percent of all taxable filers and reported 8.4 percent of the total tax liability incurred by all estate and trust types.

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Simple Trusts

A simple trust is a trust that is required to distribute all of its income during the tax year in which it was received by the trust. In addition, only distributions of income are allowed to beneficiaries. Income, in this case, is defined under both local law and the governing instrument, the trust document. Historically, income has not included capital gains income; under most trust instruments and State laws, capital gains have been considered corpus [17]. A trust will lose this classification if it distributes corpus in any tax year; thus, a trust cannot be a simple trust in its year of termination or any year of partial liquidation. Income of the trust is taxable to the recipient even if distributions are not made, although a simple trust itself can incur tax liability (i.e., realized long-term capital gains) [18]. In addition, the structure of a simple trust does not provide for charitable contributions, although it does determine the standard exemption amount (\$100 or \$300) [19].

A total of 692,144 returns was filed for simple trusts (see Figure E). The aggregate gross income for these returns totaled \$32.8 billion, with capital

Complex Trusts

Although similar in some ways to a simple trust and an estate, a complex trust is allowed to perform activities a simple trust cannot. Therefore, a complex trust satisfies at least one of the following conditions in a tax year: (a) retain some current income; (b) provide amounts to be paid, permanently set aside, or used for charitable purposes; or (c) distribute amounts allocated to the corpus of the trust. Like a simple trust, a complex trust is allowed a deduction for income distributed to beneficiaries and is allowed a standard exemption amount of either \$100 or \$300, depending on the entity's structure. Like an estate, a complex trust may deduct unlimited amounts of gross income paid to recognized charities and any other amounts that were properly paid, credited, or required to be distributed in the tax year to beneficiaries. For beneficiaries of complex trusts, like those of estates and simple trusts, income distributed to them is reflected on their personal income tax returns.

There were approximately 1.1 million returns filed for complex trusts, the second largest number of returns for all types of trusts and estates (see Figure F). Although higher in frequency and reporting a larger aggregate gross income amount, complex trusts had similar patterns of income, deduction, and taxation to that of simple trusts. While complex trust returns reported \$44.6 billion in gross income, the largest net amount for any trust or estate type, the average amount reported by each trust was just slightly less than that reported by simple trusts. Again, a majority of income reported for complex trusts was from capital gains. In contrast to simple

Figure E

Simple Trusts, Selected Items, Tax Year 1997

[Money amounts are in thousands of dollars]

Item	Number	Percent ¹	Amount	Percent ¹
	(1)	(2)	(3)	(4)
Gross income.....	692,144	20.5	32,792,233	36.1
Total deductions.....	685,189	30.7	19,265,844	37.7
Income distribution deduction...	583,609	48.8	15,170,163	45.9
Taxable income.....	308,382	26.9	16,552,289	35.1
Total tax liability.....	308,471	26.9	3,941,346	32.3

¹ Percentage of all Form 1041 returns reporting this item or percentage of the collective amount reported for this item on all Form 1041 returns.

gains composing 55.4 percent of that amount. Of all income sources, only ordinary gains were a negative amount, which totaled negative \$79.4 million. As expected, the income distribution deduction was the largest deduction for simple trusts totaling \$15.2 billion, or 78.7 percent of total deductions. Overall, 44.6 percent of simple trusts incurred some tax liability, which totaled \$3.9 billion.

Figure F

Complex Trusts, Selected Items, Tax Year 1997

[Money amounts are in thousands of dollars]

Item	Number	Percent ¹	Amount	Percent ¹
	(1)	(2)	(3)	(4)
Gross income.....	1,098,363	32.5	44,622,157	49.1
Total deductions.....	1,085,477	48.7	19,793,304	38.7
Income distribution deduction...	430,265	36.0	10,918,285	33.0
Taxable income.....	713,876	62.3	26,709,360	56.7
Total tax liability.....	711,704	62.2	7,074,510	58.0

¹ Percentage of all Form 1041 returns reporting this item or percentage of the collective amount reported for this item on all Form 1041 returns.

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trusts, though, the deduction for income distributions for complex trusts only accounted for 55.2 percent of total deductions, while charitable deductions accounted for 12.7 percent of total deductions for these trusts. For simple trusts, these deductions accounted for 78.7 percent and 1.0 percent, respectively, of total deductions. In addition, while less than half of all simple trusts incurred tax liability, over 64.8 percent of complex trusts incurred some tax liability.

The category “complex trusts” includes a specific type of trust called a generation-skipping trust. These trusts have present or future beneficiaries who are two or more generations younger than the grantor’s generation. Because transfers of up to \$1 million to a generation-skipping trust can avoid Federal estate taxation for at least one, intervening generation, these trusts are popular for shielding assets [20]. In contrast, amounts transferred to such trusts in excess of the \$1-million exemption are subject to Federal estate and generation-skipping transfer taxes. In addition, since some beneficiaries of generation-skipping trusts are relatively young or not yet born on the trust’s date of creation, complex financial arrangements are usually included in governing documents that allow the fiduciary flexibility in managing these trusts. Such arrangements could include the right to invade the corpus of the trust or to retain income based on the needs of the beneficiaries. While a grandchild is the most common type of beneficiary, a generation-skipping trust can be set up to distribute benefits to family members of varying generations (e.g., a spouse, child, great grandchild, etc.).

There were a total of 4,647 trusts that were identified as generation-skipping trusts (see Figure G) [21]. Gross income reported for these trusts totaled \$260.8 million, or 0.6 percent of aggregate gross income for all complex trusts. For generation-skipping trusts, capital gains accounted for 74.7 percent of their gross income, while distributions of income to beneficiaries composed 73.0 percent of their total deductions. In addition, over three-quarters of all generation-skipping trusts, or 77.0 percent, reported some tax liability, which collectively totaled \$53.4 million.

Grantor Trusts

A grantor trust, unlike a simple or complex trust, is an entity in which the creator retains some power or

Figure G

Generation-Skipping Trusts, Selected Items, Tax Year 1997

[Money amounts are in thousands of dollars]

Item	Number	Percent ¹	Amount	Percent ¹
	(1)	(2)	(3)	(4)
Gross income.....	4,647	0.4	260,828	0.6
Total deductions.....	4,613	0.4	73,324	0.4
Income distribution deduction...	1,544	0.4	53,556	0.5
Taxable income.....	3,563	0.5	202,123	0.8
Total tax liability.....	3,578	0.5	53,430	0.8

¹ Percentage of all complex trust returns reporting this item or percentage of the collective amount reported for this item on all complex trust returns.

interest over the income and/or corpus of the trust [22]. Created by a living individual, group of individuals, or other entity, this type of trust is not recognized as a separate taxable entity apart from its grantor for income tax purposes. Therefore, income earned by the assets of the trust is directly reported on the grantor or owner’s income tax return. For this type of trust, which represented the largest number of filers, Form 1041 functions primarily as an information return (see Figure H). Accordingly, the grantor is deprived of any possible income tax advantages that might occur if the trust were taxed separately, such as lower marginal tax rates and a standard exemption amount [23].

Figure H

Grantor Trusts, Selected Items, Tax Year 1997

[Money amounts are in thousands of dollars]

Item	Number	Percent ¹	Amount	Percent ¹
	(1)	(2)	(3)	(4)
Gross income.....	1,109,603	32.9	403,943	0.4
Total deductions.....	7,219	0.3	420,775	0.8
Income distribution deduction...	6,625	0.6	340,534	1.0
Taxable income.....	1,227	0.1	6,284	(²)
Total tax liability.....	929	0.1	4,704	(²)

¹ Percentage of all Form 1041 returns reporting this item or percentage of the collective amount reported for this item on all Form 1041 returns.

² Represents less than 0.05 percent.

In addition, grantor trusts also include so-called “family estate” trusts, also known as “living” trusts. These trusts function as substitutes for wills and also

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enable the grantor to avoid probate of trust assets. In this type of trust, grantors transfer all or most of their personal assets to the trust, retaining the right to revoke the trust and make withdrawals of property from it. Upon the grantor's death, the assets are distributed to the grantor's heirs or held in further trust, in accordance with the terms of the trust [24].

While not prominent in number, there are some trusts that are part simple or complex trust and part grantor trust. These trusts are usually referred to as partial grantor trusts. They report the income of the simple or complex portion of the trust on Form 1041, and attach an appendix listing the income of the grantor portion of the trust, which is included on the grantor's individual income tax return. Therefore, unlike "living" trusts, grantors of partial grantor trusts are not able to control or benefit from all assets in the trust.

Overall, fiduciaries of partial grantor trusts filed 50,906 returns reporting gross income of \$2.2 billion (see Figure I) [25]. The largest component of this amount, unlike for most trust and estate types, was interest income. This source of income composed 75.5 percent of aggregate gross income. For deductions, which totaled \$2.0 billion, distributions of income to beneficiaries accounted for 87.4 percent of this total. Since distributions to beneficiaries, and thus total deductions, were comparable to gross income, only modest amounts were reported for taxable income and total tax liability by these trusts.

Figure I

Partial Grantor Trusts, Selected Items, Tax Year 1997

[Money amounts are in thousands of dollars]

Item	Number	Percent ¹	Amount	Percent ¹
	(1)	(2)	(3)	(4)
Gross income.....	50,906	1.5	2,183,145	2.4
Total deductions.....	50,061	2.2	2,031,315	4.0
Income distribution deduction...	38,469	3.2	1,774,764	5.4
Taxable income.....	9,954	0.9	250,698	0.5
Total tax liability.....	9,928	0.9	68,451	0.6

¹ Percentage of all Form 1041 returns reporting this item or percentage of the collective amount reported for this item on all Form 1041 returns.

Ancillary Trusts and Estates

A trust is considered ancillary if the grantor is domiciled, or resides, in a State other than that where

the trust was created. If a decedent owned property in more than one State, so that the estate must be probated in more than one State, the estate is ancillary. Ancillary returns, those for trusts and estates, are information documents only. Therefore, a standard exemption amount is not allowed, and tax liability is not incurred by these entities. Returns for ancillary trusts and estates accounted for the smallest portion of all returns filed, only 53 returns. Aggregate gross income for these returns was only \$152,783, with deductions totaling \$155,793.

Bankruptcy Estates

A bankruptcy estate is created when an individual debtor files for bankruptcy under Chapter 7 (liquidation) or Chapter 11 (reorganization) [26]. This action creates an estate consisting of property that belonged to the individual debtor prior to the bankruptcy filing date. Many tax attributes of the debtor, such as net operating losses, credit carryovers, and capital loss carryovers, pass to the bankruptcy estate, although the bankruptcy estate itself is not allowed a standard exemption [27]. In the case of these estates, Form 1041 is used only as a transmittal for Form 1040. This means that items calculated on Form 1040 are transcribed to Form 1041 for tax purposes. Therefore, the estate in bankruptcy can incur tax liability. While the fiduciary must file Form 1041 for the bankruptcy estate, the individual debtor must file his or her own individual income tax return [28].

This small group of entities, 8,601 returns, represented less than 0.3 percent of all fiduciary returns and had a diminutive impact on all aggregate amounts. For these returns, aggregate gross income totaled negative \$6.7 million, while deductions totaled \$29.0 million. Reported tax liability, which was incurred by only 20.9 percent of bankruptcy estates, was \$23.3 million. In addition, only 23 estates reported a deduction for income distributions to beneficiaries (creditors in this case).

Split-Interest Trusts

A split-interest trust, for tax purposes, is a trust established for the benefit of charitable and non-charitable beneficiaries [29]. In contrast to other trusts that devote income and corpus to qualified charities only and are exempt from Federal income taxation, split-interest trusts are not tax-exempt. In addition, the grantor of a split-interest trust was

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allowed a charitable deduction at the time the trust was created. Unlike other trusts, though, if a grantor retains a stream of payments from a split-interest trust, the grantor is not treated as the owner of the trust [30].

Split-interest trusts accounted for 4,551 returns and reported \$910.3 million in gross income (see Figure J). Total deductions were just under \$699.6 million, of which 69.6 percent were attributable to charitable deductions. Due to the nature of these trusts, it is not unexpected that the charitable deduction was over four times as large as the amount deducted for income distributed to beneficiaries, approximately \$486.9 million and \$121.1 million respectively. Overall, tax liability was reported on only 963 returns, or 21.2 percent, and amounted to \$71.8 million [31].

Figure J

Split-Interest Trusts, Selected Items, Tax Year 1997

[Money amounts are in thousands of dollars]

Item	Number	Percent ¹	Amount	Percent ¹
	(1)	(2)	(3)	(4)
Gross income.....	4,551	0.1	910,284	1.0
Total deductions.....	4,428	0.2	699,587	1.4
Income distribution deduction...	2,480	0.2	121,086	0.4
Taxable income.....	964	0.1	224,210	0.5
Total tax liability.....	963	0.1	71,774	0.6

¹ Percentage of all Form 1041 returns reporting this item or percentage of the collective amount reported for this item on all Form 1041 returns.

Termination

If the return that is filed will be the final return for a trust or estate, the preparer must indicate this condition on the return. An estate is recognized as a taxable entity only during the administration or settlement of the estate, which can include a variety of activities related to the collection of assets, payment of debts, and organization of the estate. A trust is recognized as a taxable entity until all the trust's property has been distributed and all administrative details are completed. Of the income tax returns filed for all trusts and estates for Tax Year 1997, approximately 413,256, or 12.2 percent, were filed as final returns. Decedent estates composed almost

half of all final returns, or 45.0 percent (see Figure K). After decedent estates, grantor trusts accounted for the largest percentage of final returns, 24.5 percent, while partial grantor trusts, ancillary estates or trusts, bankruptcy estates, and split-interest trusts collectively composed the smallest percentage, 1.8 percent.

On the termination of an estate or trust, the entity may claim a net operating loss (NOL) when the fiduciary reports a larger amount for aggregate deductions than gross income [32]. While NOL can be claimed in any tax year, this loss may only be passed to the beneficiaries, who succeed to the property of the trust or estate, in the termination year. As with other items passed to beneficiaries from the estate or trust, NOL allowable to a beneficiary must be reported on Schedule K-1.

Summary

For 1997, just under 3.4 million returns were filed for trusts and estates, reporting almost \$90.9 billion in aggregate gross income and over \$12.2 billion in total tax liability. Of these returns, complex and grantor trusts accounted for over 65.4 percent of all entities. In addition, returns for simple and complex trusts, combined, reported \$77.4 billion in gross income, or 85.2 percent of aggregate gross income, and just over \$11.0 billion in tax liability, or 90.2 percent of total tax liability. In contrast, returns for ancillary trusts and estates had the lowest occurrence of all types and also accounted for the smallest positive contribution to aggregate gross income.

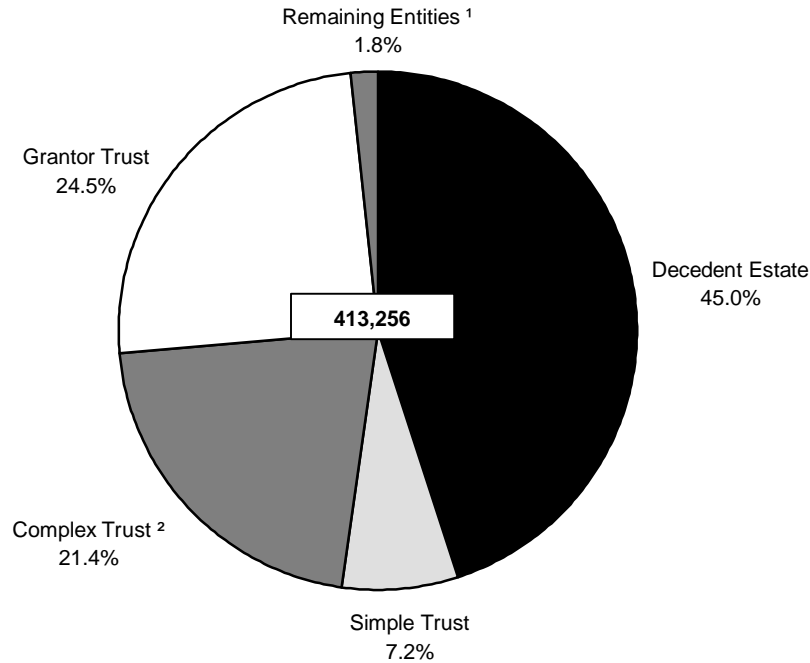
For all returns, the largest source of income was capital gains, which totaled \$47.9 billion. This amount accounted for 52.7 percent of gross income. Fiduciaries of simple and complex trusts reported a majority of this amount. On the other hand, income distributions to beneficiaries were the largest deduction amount totaling \$33.1 billion, or 64.7 percent of total deductions. Again, distributions of income reported for simple and complex trusts accounted for a majority of this amount.

Data Sources and Limitations

The data presented in this article were collected from returns that were processed for administrative purposes in 1998, prior to any audit examination or taxpayer correction, such as an amended return filed

Figure K

Distribution of Final Fiduciary Returns, by Entity Type, Tax Year 1997



¹ Includes partial grantor trust, ancillary estate and trust, bankruptcy estate, and split-interest trust.

² Includes generation-skipping trust.

NOTES: A final fiduciary return is filed for the tax year in which an entity terminates. Detail may not add to 100 percent because of rounding.

subsequent to the original return. Return data came from the IRS Returns Transaction File (RTF). These data were collected during the course of regular IRS processing for revenue purposes, and, thus, only data necessary for tax administration purposes were collected. A total of 3,445,797 returns were “posted” to the RTF, of which 69,039 were deleted due to duplication and 793 were deleted due to improper filing practices [33]. Unlike most SOI programs that collect data from a statistical sample of filed returns, the figures presented in this article have been tabulated using the entire population of Form 1041 returns processed in Calendar Year 1998. Tests were run on the data to check for and correct such significant nonsampling errors as keying errors and incorrect math calculations.

The data in this article are intended to represent all returns filed for Tax Year 1997. While 91.8 percent of the returns processed during Calendar Year 1998 and included in this article were for Cal-

endar Year 1997, a few returns were for prior years and for noncalendar years ending during 1997 and 1998. In the tabulations presented here, prior-year returns were substituted for 1997 returns that were expected to be received and processed for the Calendar Year 1998 RTF. This was done based on the assumption that the characteristics of returns due, but not yet processed, can be represented by the returns for previous income years that were processed in 1998.

In addition, it is important to note that the returns discussed here do not represent the universe of all grantor trusts. Generally, a grantor trust that is treated as owned by one or more grantors or other persons may use an optional filing method and, thus, would not use Form 1041 to report income, deduction, and tax liability. There are three optional filing methods. Each method requires the fiduciary to report to the grantor or other persons treated as the owner items related to income, deduction, credit, and taxable

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income (or tax). This information must be included on the individual income tax return of the grantor or other persons treated as the owner.

Explanation of Selected Terms

Brief definitions of some of the terms used in the text and tables are provided below:

Adjusted total income.—Adjusted total income was the amount remaining after interest, taxes, fiduciary fees, charitable deductions, preparer fees (including attorney and accountant fees), other deductions, and allowable miscellaneous deductions were subtracted from gross income.

Allowable miscellaneous deductions.—Allowable miscellaneous deductions were expenses for production or collection of income, such as investment advisory fees, subscriptions to investment advisory publications, and the cost of safe deposit boxes. In addition, bond premiums, certain losses and costs, and an estate or trust's share of amortization, depreciation, and depletion not claimed elsewhere were included.

Distributable net income (DNI).—Distributable net income limited the amount of deduction an estate or trust can claim for distributions to beneficiaries. In addition, it may also have limited the amount of the distribution taxable to the beneficiary. DNI generally consisted of the same items of income and deduction that make up the taxable income of the estate or trust. However, several items for deductions, interest, capital gains and losses, and dividends were taken into account when this amount was calculated.

Estimated and applied payments.—Estimated and applied payments included all 1997 estimated tax payments in addition to any amounts applied from the 1996 return.

Gross income.—Gross income was the aggregate sum of all income from an estate or trust including: interest; ordinary dividends; business income; capital gains; rents, royalties, partnership income, and income from other estates and trusts; farm income; ordinary gains; and other income. Gross income is labeled total income on Form 1041.

Income distribution deduction.—Income distribution deduction was the amount allowable for deduction for distributions to beneficiaries.

Other income.—Other income encompassed items not includible in any other income source; amounts for "income in respect of a decedent" (IRD)

or distributions from retirement assets and insurance contracts that were treated as ordinary income were included here.

Other payments.—Other payments included credits for taxes paid on undistributed capital gains and credits for Federal taxes on fuels.

Taxable estate or trust.—A taxable estate or trust was an entity that incurred a tax liability after tax credits.

Taxable income.—Taxable income was the amount that remained after total deductions were subtracted from gross income (only recorded for values greater than zero).

Total deductions.—Total deductions were the aggregate sum of all reported deductions, which included amounts for interest, taxes and fees, charitable contributions, allowable miscellaneous items, income distributed to beneficiaries, and the standard exemption.

Total prior payments.—Total prior payments included estimated tax, in addition to any amounts applied from the previous year's return, tax paid with an extension to file, Federal income tax withheld, and credit for tax paid on certain capital gains and fuels less any estimated tax that was allocated to beneficiaries.

Total tax liability.—Total tax liability was the amount of calculated tax obligation that was incurred by the estate or trust based on taxable income, less tax credits, plus recapture, alternative minimum, and household employment taxes.

Acknowledgements

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Notes and References

- [1] *Inter vivos* refers to activities performed during life.
- [2] A fiduciary need not be a person (i.e., a bank).
- [3] This article addresses Federal income tax imposed on income accrued by trusts and

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estates. This tax is separate from estate, gift, and generation-skipping taxes. Each of these three taxes imposes tax liability on transfers.

- [4] United States supervision, control, and authority are the general guidelines for determining a domestic estate or trust. These powers may be held by a United States court or citizen. Foreign estates and trusts must file Form 1040NR, *U.S. Nonresident Alien Income Tax Return*, not Form 1041, for income tax purposes.
- [5] A tax year is the accounting period in which income is earned, reported, and taxed.
- [6] Income in respect of a decedent or IRD is compensation received by a decedent's estate that is subject to both Federal estate and income taxes. Estate taxes paid on this type of income are deductible on Form 1041. For more information, see Bittker, Clark, and McCouch, *Federal Estate and Gift Taxation*, (2000), Gaithersburg, New York: Aspen Publishers, Inc., p. 215.
- [7] See "Explanation of Selected Terms" for further detail on allowable miscellaneous deductions.
- [8] Distributable net income (DNI) is an amount that sets the limit on the deduction an estate or trust can deduct for distributions to beneficiaries. In addition, it may also limit the taxable amount to beneficiaries. DNI generally consists of income and deduction items that compose taxable income, in addition to consideration for certain items of loss, gain, interest, deduction, and dividend.
- [9] *1998 U.S. Master Tax Guide*, (1997), Chicago: CCH Incorporated, p. 163.
- [10] Trust arrangements that are promoted by the promise of tax benefits with no meaningful change in the taxpayer's control over or benefit from the taxpayer's income or assets are not permitted by law. This type of trust, often called an abusive trust, aims to reduce or eliminate Federal taxes in ways that are illegal. See IRS Notice 97-24 and IRS Publication 2193 for more information.
- [11] Individual beneficiaries who report personal income and calculate income tax file Form 1040, *U.S. Individual Income Tax Return*.
- [12] This election is made on Form 1041-T, *Allocation of Estimated Tax Payments to Beneficiaries*. See Section 643(g) of the Internal Revenue Code for more information.
- [13] IRS Commissioner's Annual Reports, 1977-1992, and IRS Data Books, 1993-1997.
- [14] This is the first time in 15 years that Statistics of Income (SOI) has published data regarding Form 1041. See Estep, Gary J. (1985), "Fiduciary Income Tax Returns, 1982," *Statistics of Income Bulletin*, Spring 1985, Volume 4, Number 4. The data in this past article were based on a stratified random sample of Form 1041 returns for Tax Year 1982, which were filed during 1983. See the "Data Sources and Limitations" section for an explanation of the data used in this article.
- [15] See Internal Revenue Code section 661 for more information.
- [16] This income category was collectively negative for this particular entity type. However, this does not mean that each return for this entity type reported a negative value for this income category. The income amount reported here is a net value.
- [17] *1998 U.S. Master Tax Guide*, (1997), Chicago: CCH Incorporated, p. 165-167.
- [18] Realized long-term capital gains can be taxable depending on where the gain is added (corpus or income). If the gain is distributed to beneficiaries during the tax year, it can be included in the computation of DNI and can be taxed to the beneficiary depending on the provisions set forth by the estate or trust instrument regarding long-term capital gains. Capital losses are treated differently; see Internal Revenue Code section 642(h) for more information.
- [19] While simple trusts are not allowed charitable contributions, one exception is for entities created before May 27, 1969.

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- [20] A provision set forth in the Taxpayer Relief Act of 1997 requires that the \$1-million exemption amount be indexed for inflation for decedents dying and gifts made after December 31, 1998.
- [21] Though a small portion of generation-skipping trusts could be simple or grantor trusts, most are complex trusts due to their structure. For the purposes of analysis, all trusts that were generation-skipping trusts were considered complex.
- [22] For further detail on grantor trusts, see Internal Revenue Code sections 671-678.
- [23] *1998 U.S. Master Tax Guide*, (1997), Chicago: CCH Incorporated, p. 170-171.
- [24] The grantor trust category also includes returns filed for Federal National Mortgage Association (FNMA), or Fannie Mae, and Government National Mortgage Association (GNMA), or Ginnie Mae, pooled mortgage returns. Fannie Mae and Ginnie Mae are fiduciaries for these pooled mortgage returns. Both associations collect principal and interest payments on mortgages and make distributions to owners of the pooled mortgages.
- [25] Includes a small number of receiverships. Generally, receiverships occur when a receiver takes possession of, but not title to, assets for an insolvent company not in bankruptcy for the purpose of settling debt.
- [26] Under Chapter 7 (liquidation), a court-appointed trustee manages the assets of the estate for benefit of the creditors. Under Chapter 11 (reorganization), the individual debtor is allowed some control over the assets in the estate and works with creditors directly with the goal of satisfying debts and retaining assets. Chapter 13 bankruptcy does not create a separate taxable entity, and, thus, no Form 1041 is filed.
- [27] See Internal Revenue Code section 1398 for more information.
- [28] See Estep, Gary J. (1985), p. 43.
- [29] Split-interest trusts included in this section were those trusts described in Internal Revenue Code section 4947(a)(2) and required to file Form 1041. See Internal Revenue Code sections 501 and 170 for more information.
- [30] Thompson, DeeAnn L. (1998), "Income Taxation of Estates and Trusts," in *Introduction to Trusts and Estates*, New York University, NY, p. 3.
- [31] The trusts reported in this section are not the population of split-interest trusts. For more information on split-interest trusts and their filings, refer to the article written by Melissa Belvedere in this issue of the *Statistics of Income Bulletin* entitled, "Charitable Remainder Trusts, 1998."
- [32] The charitable deduction and income distribution deduction, as well as the exemption amount, are not included when calculating the amount for NOL. Taxable income and NOL are not necessarily the same amount. Fiduciaries use Form 1045, *Application for Tentative Refund*, to figure the amount of NOL that is available for use in other tax years. For more information on NOL, see IRS Publications 536 and 908.
- [33] For tax years ending after August 5, 1997, fiduciaries of pre-need funeral trusts, a type of grantor trust, can elect to file Form 1041-QFT, *U.S. Income Tax Return for Qualified Funeral Trusts*, and calculate tax liability separately. The Returns Transaction File (RTF) included 793 returns for qualified funeral trusts that indicated no entity type, reported a tax year ending after August 5, 1997, and, in most cases, reported tax liability. Based on these facts, it was presumed that the fiduciaries of these entities filed Form 1041 in error, instead of using Form 1041-QFT. Thus, these returns were deleted.

SOURCE: IRS, Statistics of Income Bulletin, Winter 2000-2001, Publication 1136 (Rev. 2-2001).

Fiduciary Income Tax Returns, 1997

Table 1.--Fiduciary Returns Filed for Tax Year 1997: Income Source, Deductions, and Tax Liability, by Size of Gross Income

[Money amounts are in thousands of dollars]

Size of gross income	Gross income		Interest income		Ordinary dividends		Business income	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All returns, total.....	3,375,965	90,876,764	1,675,634	14,348,607	1,412,017	17,014,510	24,127	348,986
Less than zero.....	101,880	-2,656,142	63,948	134,002	38,695	77,765	4,001	-94,249
No income.....	1,213,056	--	337	926	185	589	19	-423
\$1 under \$100.....	75,062	3,207	62,418	4,614	14,682	2,310	229	-146
\$100 under \$1,000.....	322,781	134,042	193,768	83,029	100,763	45,251	1,272	-568
\$1,000 under \$10,000.....	703,361	3,168,781	532,675	1,231,479	468,338	1,041,712	5,720	8,421
\$10,000 under \$100,000.....	821,898	26,766,689	700,254	5,936,958	672,452	6,445,671	9,536	125,223
\$100,000 under \$1,000,000.....	129,339	30,754,757	114,325	4,162,870	109,236	5,229,907	2,986	192,012
\$1,000,000 or more.....	8,588	32,705,430	7,909	2,794,729	7,666	4,171,305	364	118,717
Taxable returns, total.....	1,144,864	67,077,831	863,654	7,105,287	872,304	11,577,020	9,422	187,300
Less than zero.....	177	-14,481	132	2,385	99	1,815	6	-103
No income.....	2,387	--	**	**	--	--	--	--
\$1 under \$100.....	1,622	64	**1,327	**90	334	27	4	(1)
\$100 under \$1,000.....	192,550	74,340	92,513	31,037	52,526	17,664	419	21
\$1,000 under \$10,000.....	348,685	1,581,549	250,462	463,591	265,415	494,699	2,486	3,620
\$10,000 under \$100,000.....	500,360	17,272,521	431,033	2,781,323	461,232	4,148,086	4,390	43,872
\$100,000 under \$1,000,000.....	92,349	22,309,054	81,938	2,071,673	86,399	3,936,950	1,841	90,157
\$1,000,000 or more.....	6,734	25,854,784	6,249	1,755,188	6,299	2,977,778	276	49,733
Nontaxable returns, total.....	2,231,101	23,798,932	811,980	7,243,321	539,713	5,437,490	14,705	161,686
Less than zero.....	101,703	-2,641,661	63,816	131,617	38,596	75,950	3,995	-94,146
No income.....	1,210,669	--	**	**	185	589	19	-423
\$1 under \$100.....	73,440	3,143	**61,428	**5,450	14,348	2,283	225	-146
\$100 under \$1,000.....	130,231	59,702	101,255	51,993	48,237	27,587	853	-589
\$1,000 under \$10,000.....	354,676	1,587,231	282,213	767,888	202,923	547,013	3,234	4,801
\$10,000 under \$100,000.....	321,538	9,494,168	269,221	3,155,635	211,220	2,297,585	5,146	81,351
\$100,000 under \$1,000,000.....	36,990	8,445,703	32,387	2,091,196	22,837	1,292,957	1,145	101,856
\$1,000,000 or more.....	1,854	6,850,646	1,660	1,039,541	1,367	1,193,527	88	68,983

Footnotes at end of table.

Fiduciary Income Tax Returns, 1997

Table 1.--Fiduciary Returns Filed for Tax Year 1997: Income Source, Deductions, and Tax Liability, by Size of Gross Income--Continued

[Money amounts are in thousands of dollars]

Size of gross income	Capital gains		Rents, royalties, partnerships, and other estates and trusts		Farm income		Ordinary gains	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All returns, total.....	1,397,699	47,907,747	392,622	7,654,081	21,133	75,577	36,849	-260,523
Less than zero.....	79,810	-25,439	29,909	-2,236,582	3,582	-78,827	7,847	-266,932
No income.....	364	4,050	281	-2,062	24	-220	59	-35
\$1 under \$100.....	7,359	-1,150	2,223	-1,886	129	-154	137	-178
\$100 under \$1,000.....	137,262	14,123	18,037	-8,457	830	-1,054	941	-1,248
\$1,000 under \$10,000.....	401,467	570,366	107,758	239,751	5,662	6,611	6,539	-8,292
\$10,000 under \$100,000.....	652,333	10,650,171	186,501	2,598,628	9,145	97,052	14,740	-7,686
\$100,000 under \$1,000,000.....	111,260	16,042,646	43,560	3,667,616	1,620	35,803	5,611	17,580
\$1,000,000 or more.....	7,844	20,652,980	4,353	3,397,073	141	16,368	975	6,268
Taxable returns, total.....	897,722	41,106,978	171,584	5,265,415	6,645	45,066	15,469	6,862
Less than zero.....	144	6,630	65	-11,109	**8	**45	**23	**2,662
No income.....	--	--	**	**	**	**	**	**
\$1 under \$100.....	97	-27	**39	**10	**	**	**	**
\$100 under \$1,000.....	103,904	31,691	5,560	-6,157	183	-115	185	-23
\$1,000 under \$10,000.....	237,514	520,252	43,319	72,783	1,807	1,373	2,713	-2,427
\$10,000 under \$100,000.....	461,149	8,972,671	90,333	924,793	3,571	27,495	7,990	-5,582
\$100,000 under \$1,000,000.....	88,403	13,578,753	28,834	1,903,112	975	12,770	3,776	9,418
\$1,000,000 or more.....	6,511	17,997,008	3,434	2,382,003	101	3,587	782	8,138
Nontaxable returns, total.....	499,977	6,800,769	221,038	2,388,666	14,488	30,512	21,380	-267,385
Less than zero.....	79,666	-32,069	29,844	-2,225,473	**3,727	**79,155	**8,020	**264,482
No income.....	364	4,050	**	**	**	**	**	**
\$1 under \$100.....	7,262	-1,123	**2,465	**3,938	**	**	**	**
\$100 under \$1,000.....	33,358	-17,567	12,477	-2,299	647	-939	756	-1,225
\$1,000 under \$10,000.....	163,953	50,114	64,439	166,968	3,855	5,238	3,826	-5,865
\$10,000 under \$100,000.....	191,184	1,677,500	96,168	1,673,835	5,574	69,556	6,750	-2,104
\$100,000 under \$1,000,000.....	22,857	2,463,893	14,726	1,764,503	645	23,033	1,835	8,161
\$1,000,000 or more.....	1,333	2,655,972	919	1,015,070	40	12,780	193	-1,870

Footnotes at end of table.

Fiduciary Income Tax Returns, 1997

Table 1.--Fiduciary Returns Filed for Tax Year 1997: Income Source, Deductions, and Tax Liability, by Size of Gross Income--Continued

[Money amounts are in thousands of dollars]

Size of gross income	Other income		Interest (deduction)		Taxes (deduction)		Fiduciary fees	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
All returns, total.....	266,584	3,787,777	89,654	1,567,835	792,800	1,912,850	861,425	3,315,501
Less than zero.....	9,160	-165,880	5,615	24,342	24,529	32,936	19,294	57,225
No income.....	178	-2,825	512	2,928	4,060	5,919	3,237	12,729
\$1 under \$100.....	1,575	-203	848	1,291	8,791	3,700	20,326	6,603
\$100 under \$1,000.....	17,135	2,965	3,662	6,085	61,359	19,814	135,016	48,120
\$1,000 under \$10,000.....	64,259	78,733	20,965	40,937	224,719	132,580	209,150	337,075
\$10,000 under \$100,000.....	137,986	920,672	40,202	193,946	391,974	571,153	397,535	1,536,005
\$100,000 under \$1,000,000.....	33,190	1,406,324	15,149	420,422	72,202	630,945	72,302	961,846
\$1,000,000 or more.....	3,101	1,547,990	2,701	877,886	5,166	515,803	4,565	355,898
Taxable returns, total.....	163,157	1,783,903	47,619	994,612	561,386	1,512,770	553,704	2,095,901
Less than zero.....	30	-11,392	16	611	54	262	29	205
No income.....	--	--	**6	**6	8	10	8	47
\$1 under \$100.....	25	-15	**	**	51	11	66	17
\$100 under \$1,000.....	9,163	223	571	105	36,924	761	99,952	3,300
\$1,000 under \$10,000.....	31,126	27,657	8,690	5,991	143,681	39,403	99,134	77,815
\$10,000 under \$100,000.....	94,787	379,863	24,537	81,661	313,646	420,674	291,847	1,013,619
\$100,000 under \$1,000,000.....	25,431	706,220	11,494	262,010	62,402	566,540	58,839	728,137
\$1,000,000 or more.....	2,595	681,348	2,305	644,227	4,620	485,109	3,829	272,760
Nontaxable returns, total.....	103,427	2,003,873	42,035	573,224	231,414	400,079	307,721	1,219,599
Less than zero.....	9,130	-154,488	5,599	23,731	24,475	32,674	19,265	57,020
No income.....	178	-2,825	**1,354	**4,211	4,052	5,909	3,229	12,682
\$1 under \$100.....	1,550	-188	**	**	8,740	3,689	20,260	6,586
\$100 under \$1,000.....	7,972	2,743	3,091	5,980	24,435	19,052	35,064	44,820
\$1,000 under \$10,000.....	33,133	51,075	12,275	34,946	81,038	93,177	110,016	259,260
\$10,000 under \$100,000.....	43,199	540,810	15,665	112,285	78,328	150,479	105,688	522,386
\$100,000 under \$1,000,000.....	7,759	700,104	3,655	158,412	9,800	64,405	13,463	233,708
\$1,000,000 or more.....	506	866,641	396	233,659	546	30,695	736	83,137

Footnotes at end of table.

Fiduciary Income Tax Returns, 1997

Table 1.--Fiduciary Returns Filed for Tax Year 1997: Income Source, Deductions, and Tax Liability, by Size of Gross Income--Continued

[Money amounts are in thousands of dollars]

Size of gross income	Charitable deductions		Attorney, accountant, and return preparer fees		Allowable miscellaneous deductions		Adjusted total income	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
All returns, total.....	79,149	4,032,071	979,547	2,134,475	514,881	4,336,578	2,165,978	73,575,230
Less than zero.....	2,276	15,341	48,007	129,620	31,677	666,713	101,880	-3,582,319
No income.....	258	2,184	11,811	29,753	8,451	52,631	17,886	-106,144
\$1 under \$100.....	727	1,533	14,245	34,359	8,214	19,037	74,278	-63,315
\$100 under \$1,000.....	4,290	6,996	73,137	94,283	35,973	76,458	320,731	-117,715
\$1,000 under \$10,000.....	20,276	73,366	324,314	486,168	151,433	355,603	698,093	1,743,055
\$10,000 under \$100,000.....	35,407	617,269	433,521	850,184	225,645	893,899	816,771	22,104,234
\$100,000 under \$1,000,000.....	13,755	1,299,371	69,785	362,347	48,956	1,045,593	127,921	26,034,234
\$1,000,000 or more.....	2,160	2,016,013	4,727	147,764	4,532	1,226,645	8,418	27,563,199
Taxable returns, total.....	30,164	859,868	480,531	628,550	236,049	1,432,390	1,142,458	59,553,740
Less than zero.....	7	3	78	1,426	48	2,931	177	-19,919
No income.....	**6	**185	19	36	8	32	34	-315
\$1 under \$100.....	**	**	73	26	26	14	1,620	-7
\$100 under \$1,000.....	518	55	15,985	1,997	5,775	519	192,544	67,602
\$1,000 under \$10,000.....	6,007	4,565	141,156	59,076	54,908	25,677	348,670	1,369,022
\$10,000 under \$100,000.....	14,595	77,558	268,668	283,306	135,331	247,819	500,343	15,147,883
\$100,000 under \$1,000,000.....	7,492	249,097	50,794	185,638	36,330	454,960	92,337	19,862,672
\$1,000,000 or more.....	1,539	528,406	3,758	97,044	3,623	700,437	6,733	23,126,801
Nontaxable returns, total.....	48,985	3,172,203	499,016	1,505,928	278,832	2,904,189	1,023,520	14,021,490
Less than zero.....	2,269	15,338	47,929	128,194	31,629	663,782	101,703	-3,562,400
No income.....	**979	**3,532	11,792	29,717	8,443	52,599	17,852	-105,829
\$1 under \$100.....	**	**	14,172	34,333	8,188	19,023	72,658	-63,309
\$100 under \$1,000.....	3,772	6,941	57,152	92,286	30,198	75,939	128,187	-185,317
\$1,000 under \$10,000.....	14,269	68,801	183,158	427,092	96,525	329,926	349,423	374,033
\$10,000 under \$100,000.....	20,812	539,710	164,853	566,877	90,314	646,081	316,428	6,956,351
\$100,000 under \$1,000,000.....	6,263	1,050,274	18,991	176,709	12,626	590,632	35,584	6,171,562
\$1,000,000 or more.....	621	1,487,607	969	50,719	909	526,208	1,685	4,436,399

Footnotes at end of table.

Fiduciary Income Tax Returns, 1997

Table 1.--Fiduciary Returns Filed for Tax Year 1997: Income Source, Deductions, and Tax Liability, by Size of Gross Income--Continued

[Money amounts are in thousands of dollars]

Size of gross income	Income distribution deduction		Estate tax deduction		Exemption		Total deductions	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)
All returns, total.....	1,195,398	33,057,239	17,760	239,148	2,020,328	485,341	2,229,191	51,080,963
Less than zero.....	18,121	17,465	710	3,830	75,809	24,151	97,782	971,567
No income.....	1,277	11,949	191	447	67,860	15,674	75,560	134,199
\$1 under \$100.....	14,603	2,702	226	231	60,070	10,819	73,978	80,274
\$100 under \$1,000.....	59,428	43,005	1,136	4,017	286,309	51,971	321,102	350,789
\$1,000 under \$10,000.....	353,709	1,404,735	4,925	10,307	626,498	154,788	701,460	2,995,556
\$10,000 under \$100,000.....	640,144	12,305,442	7,697	61,127	772,404	195,381	821,412	17,224,362
\$100,000 under \$1,000,000.....	102,205	11,418,861	2,700	98,935	123,032	30,647	129,310	16,268,966
\$1,000,000 or more.....	5,911	7,853,080	175	60,254	8,346	1,910	8,587	13,055,251
Taxable returns, total.....	507,479	12,275,268	9,690	123,505	1,129,974	231,794	1,137,990	20,154,657
Less than zero.....	40	-427	**	**	151	48	173	5,059
No income.....	**	**	**	**	331	79	345	383
\$1 under \$100.....	**32	**19	**3	**1	756	168	850	232
\$100 under \$1,000.....	2,701	532	248	22	189,829	22,315	190,900	29,606
\$1,000 under \$10,000.....	86,445	207,567	2,232	1,190	342,932	70,285	346,793	491,568
\$10,000 under \$100,000.....	345,077	4,250,083	4,862	19,262	497,269	115,899	499,876	6,509,881
\$100,000 under \$1,000,000.....	68,781	4,554,486	2,187	71,186	91,992	21,534	92,320	7,093,588
\$1,000,000 or more.....	4,403	3,263,048	157	31,844	6,714	1,466	6,733	6,024,340
Nontaxable returns, total.....	687,919	20,781,970	8,070	115,643	890,354	253,547	1,091,201	30,926,307
Less than zero.....	18,081	17,892	**	**	75,658	24,104	97,609	966,508
No income.....	**	**	**	**	67,529	15,595	75,215	133,816
\$1 under \$100.....	**15,848	**14,670	**1,123	**4,506	59,314	10,650	73,128	80,042
\$100 under \$1,000.....	56,727	42,473	888	3,994	96,480	29,656	130,202	321,183
\$1,000 under \$10,000.....	267,264	1,197,168	2,693	9,117	283,566	84,503	354,667	2,503,988
\$10,000 under \$100,000.....	295,067	8,055,359	2,835	41,866	275,135	79,482	321,536	10,714,481
\$100,000 under \$1,000,000.....	33,424	6,864,375	513	27,749	31,040	9,113	36,990	9,175,378
\$1,000,000 or more.....	1,508	4,590,032	18	28,410	1,632	444	1,854	7,030,911

Footnotes at end of table.

Fiduciary Income Tax Returns, 1997

Table 1.--Fiduciary Returns Filed for Tax Year 1997: Income Source, Deductions, and Tax Liability, by Size of Gross Income--Continued

[Money amounts are in thousands of dollars]

Size of gross income	Taxable income		Total tax liability		Estimated and applied payments		Estimated tax payments allocated to beneficiaries	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)
All returns, total.....	1,146,326	47,143,676	1,144,864	12,206,634	617,604	6,647,706	6,417	70,460
Less than zero.....	**	**	177	3,749	4,032	17,371	58	6,049
No income.....	**24	**66	2,387	39,300	2,196	27,375	116	1,544
\$1 under \$100.....	1,370	51	1,622	520	1,211	1,089	27	25
\$100 under \$1,000.....	194,738	45,457	192,550	12,778	11,634	11,597	235	202
\$1,000 under \$10,000.....	349,996	1,093,676	348,685	247,105	148,810	155,244	1,794	2,547
\$10,000 under \$100,000.....	501,368	10,786,650	500,360	2,746,384	368,907	1,647,143	3,353	14,970
\$100,000 under \$1,000,000.....	92,149	15,326,243	92,349	4,012,143	75,164	2,253,151	764	23,093
\$1,000,000 or more.....	6,681	19,891,834	6,734	5,144,654	5,650	2,534,737	70	22,031
Taxable returns, total.....	1,131,696	47,101,023	1,144,864	12,206,633	559,548	6,434,465	910	11,770
Less than zero.....	6	37	177	3,749	35	1,139	--	--
No income.....	--	--	2,387	39,300	232	19,070	--	--
\$1 under \$100.....	862	41	1,622	520	38	250	--	--
\$100 under \$1,000.....	188,183	44,227	192,550	12,778	7,324	7,567	3	1
\$1,000 under \$10,000.....	346,092	1,087,277	348,685	247,105	130,561	130,129	155	221
\$10,000 under \$100,000.....	498,158	10,768,963	500,360	2,746,384	344,238	1,570,891	556	2,471
\$100,000 under \$1,000,000.....	91,743	15,315,381	92,349	4,012,143	71,693	2,199,515	166	4,596
\$1,000,000 or more.....	6,652	19,885,097	6,734	5,144,654	5,427	2,505,904	30	4,481
Nontaxable returns, total.....	14,630	42,654	--	--	58,056	213,242	5,507	58,691
Less than zero.....	**	**	--	--	3,997	16,233	58	6,049
No income.....	**18	**28	--	--	1,964	8,304	116	1,544
\$1 under \$100.....	508	10	--	--	1,173	839	27	25
\$100 under \$1,000.....	6,555	1,230	--	--	4,310	4,030	232	200
\$1,000 under \$10,000.....	3,904	6,399	--	--	18,249	25,114	1,639	2,326
\$10,000 under \$100,000.....	3,210	17,387	--	--	24,669	76,252	2,797	12,499
\$100,000 under \$1,000,000.....	406	10,862	--	--	3,471	53,635	598	18,497
\$1,000,000 or more.....	29	6,737	--	--	223	28,833	40	17,550

Footnotes at end of table.

Fiduciary Income Tax Returns, 1997

Table 1.--Fiduciary Returns Filed for Tax Year 1997: Income Source, Deductions, and Tax Liability, by Size of Gross Income--Continued

[Money amounts are in thousands of dollars]

Size of gross income	Tax paid with extension		Federal income tax withheld		Other payments		Total prior payments	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)
All returns, total.....	60,759	2,201,192	31,105	83,786	3,710	11,686	670,457	8,873,907
Less than zero.....	515	4,658	944	812	249	133	5,487	16,925
No income.....	451	10,760	369	1,374	49	161	2,905	38,126
\$1 under \$100.....	144	222	591	65	13	1	1,890	1,352
\$100 under \$1,000.....	2,797	1,775	3,150	800	130	14	17,018	13,984
\$1,000 under \$10,000.....	17,105	26,963	10,922	6,598	935	317	168,648	186,573
\$10,000 under \$100,000.....	27,094	180,733	12,311	24,838	1,794	1,999	388,810	1,839,743
\$100,000 under \$1,000,000.....	10,442	480,112	2,540	28,235	479	1,980	79,584	2,740,386
\$1,000,000 or more.....	2,211	1,495,970	278	21,065	61	7,080	6,115	4,036,821
Taxable returns, total.....	56,560	2,179,663	18,932	64,456	2,613	10,651	601,870	8,677,465
Less than zero.....	16	3,008	13	183	**	**	61	4,331
No income.....	108	7,485	72	633	**	**	398	27,302
\$1 under \$100.....	18	128	46	31	**10	**114	99	409
\$100 under \$1,000.....	2,394	1,386	1,822	345	70	5	11,268	9,301
\$1,000 under \$10,000.....	15,816	25,075	6,837	4,288	673	242	146,794	159,513
\$10,000 under \$100,000.....	25,799	174,774	8,020	17,370	1,390	1,658	361,487	1,762,222
\$100,000 under \$1,000,000.....	10,216	473,233	1,879	21,379	**	**	75,873	2,691,083
\$1,000,000 or more.....	2,193	1,494,573	243	20,228	**470	**8,631	5,890	4,023,304
Nontaxable returns, total.....	4,199	21,529	12,173	19,330	1,097	1,034	68,587	196,444
Less than zero.....	499	1,649	931	629	**	**	5,426	12,594
No income.....	343	3,275	297	741	**	**	2,507	10,823
\$1 under \$100.....	126	93	545	34	**301	**180	1,791	943
\$100 under \$1,000.....	403	388	1,328	455	60	9	5,750	4,682
\$1,000 under \$10,000.....	1,289	1,887	4,085	2,310	262	75	21,854	27,061
\$10,000 under \$100,000.....	1,295	5,959	4,291	7,468	404	341	27,323	77,520
\$100,000 under \$1,000,000.....	226	6,879	661	6,857	**	**	3,711	49,304
\$1,000,000 or more.....	18	1,397	35	837	**70	**429	225	13,517

** Data deleted or combined to prevent disclosure of individual taxpayer data.

¹ Less than \$1,000.

NOTE: Detail may not add to totals because of rounding.

Fiduciary Income Tax Returns, 1997

Table 2.--Fiduciary Returns Filed for Tax Year 1997: Income Source, Deductions, and Tax Liability, by Type of Entity

[Money amounts are in thousands of dollars]

Type of entity	Gross income		Interest income		Ordinary dividends		Business income	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All returns, total.....	3,375,965	90,876,764	1,675,634	14,348,607	1,412,017	17,014,510	24,127	348,986
Decedent estate.....	411,744	9,971,538	330,401	2,487,284	179,001	1,452,806	5,817	33,322
Simple trust.....	692,144	32,792,233	530,099	4,180,104	512,033	7,699,049	6,288	117,878
Complex trust.....	1,098,363	44,622,157	759,816	5,559,666	703,138	7,526,980	11,640	193,535
Generation-skipping trust ¹	4,647	260,828	2,826	22,103	3,810	29,960	24	-138
Grantor trust.....	1,109,603	403,943	6,661	307,820	2,185	19,762	84	2,974
Partial grantor trust.....	50,906	2,183,145	44,431	1,648,909	11,833	99,050	257	696
Ancillary estate or trust.....	53	153	6	63	4	35	--	--
Bankruptcy estate.....	8,601	-6,689	197	1,573	21	225	26	-347
Split-interest trust.....	4,551	910,284	4,023	163,188	3,802	216,603	15	928

Type of entity	Capital gains		Rents, royalties, partnerships, and other estates and trusts		Farm income		Ordinary gains	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All returns, total.....	1,397,699	47,907,747	392,622	7,654,081	21,133	75,577	36,849	-260,523
Decedent estate.....	187,320	3,284,808	80,934	1,389,803	7,096	-17,133	9,214	-102,730
Simple trust.....	477,117	18,162,394	140,481	1,891,792	7,102	69,824	11,408	-79,381
Complex trust.....	716,890	25,640,306	165,876	4,210,859	6,591	21,987	15,717	-74,806
Generation-skipping trust ¹	3,278	194,912	793	11,492	9	168	77	-105
Grantor trust.....	1,771	32,623	941	32,336	77	165	49	-157
Partial grantor trust.....	10,783	286,792	4,123	100,331	261	685	412	-3,263
Ancillary estate or trust.....	4	51	**	**	--	--	--	--
Bankruptcy estate.....	79	7,646	**48	**95	**	**	17	-107
Split-interest trust.....	3,735	493,127	219	28,865	**6	**49	32	-79

Type of entity	Other income		Interest (deduction)		Taxes (deduction)		Fiduciary fees	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
All returns, total.....	266,584	3,787,777	89,654	1,567,835	792,800	1,912,850	861,425	3,315,501
Decedent estate.....	66,468	1,443,377	20,082	177,043	127,835	322,803	81,433	461,987
Simple trust.....	75,907	750,573	20,982	314,123	244,667	618,917	298,185	1,340,163
Complex trust.....	120,788	1,543,629	47,473	979,993	413,588	955,699	458,592	1,417,170
Generation-skipping trust ¹	449	2,435	295	4,525	1,777	4,279	756	2,177
Grantor trust.....	259	8,420	81	22,934	422	1,265	1,057	11,014
Partial grantor trust.....	2,568	49,946	915	40,212	5,235	8,311	19,047	51,822
Ancillary estate or trust.....	--	--	--	--	3	2	**	**
Bankruptcy estate.....	142	-15,813	15	185	15	188	**49	**484
Split-interest trust.....	452	7,645	106	33,345	1,035	5,665	3,062	32,861

Footnotes at end of table.

Fiduciary Income Tax Returns, 1997

Table 2.--Fiduciary Returns Filed for Tax Year 1997: Income Source, Deductions, and Tax Liability, by Type of Entity--Continued

[Money amounts are in thousands of dollars]

Type of entity	Charitable deductions		Attorney, accountant, and return preparer fees		Allowable miscellaneous deductions		Adjusted total income	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
All returns, total	79,149	4,032,071	979,547	2,134,475	514,881	4,336,578	2,165,978	73,575,230
Decedent estate.....	19,236	808,781	231,399	1,077,746	152,291	989,878	390,958	6,133,299
Simple trust.....	8,287	189,258	300,294	433,018	144,267	972,348	668,180	28,924,405
Complex trust.....	47,016	2,518,084	424,848	544,542	212,172	2,282,865	1,046,149	35,921,584
Generation-skipping trust ¹	168	1,541	1,677	2,009	1,099	4,318	4,446	241,979
Grantor trust.....	167	7,012	4,016	13,502	442	9,292	7,724	338,923
Partial grantor trust.....	757	19,137	17,237	59,595	4,222	59,002	48,717	1,945,066
Ancillary estate or trust.....	--	--	5	9	**	**	6	141
Bankruptcy estate.....	7	2,927	93	2,909	**71	**7,620	334	-21,001
Split-interest trust.....	3,679	486,872	1,655	3,154	1,416	15,573	3,910	332,813

Type of entity	Income distribution deduction		Estate tax deduction		Exemption		Total deductions	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)
All returns, total	1,195,398	33,057,239	17,760	239,148	2,020,328	485,341	2,229,191	51,080,963
Decedent estate.....	133,922	4,717,768	8,495	123,956	272,534	160,967	396,607	8,840,967
Simple trust.....	583,609	15,170,163	3,157	33,627	662,962	194,267	685,189	19,265,884
Complex trust.....	430,265	10,918,285	5,750	59,848	1,032,424	116,930	1,085,477	19,793,304
Generation-skipping trust ¹	1,544	53,556	31	327	4,536	593	4,613	73,324
Grantor trust.....	6,625	340,534	40	15,216	27	6	7,219	420,775
Partial grantor trust.....	38,469	1,774,764	259	6,262	48,212	12,210	50,061	2,031,315
Ancillary estate or trust.....	5	144	--	--	--	--	6	156
Bankruptcy estate.....	23	14,495	39	168	3	1	204	28,975
Split-interest trust.....	2,480	121,086	20	71	4,166	960	4,428	699,587

Type of entity	Taxable income		Total tax liability		Estimated and applied payments		Estimated tax payments allocated to beneficiaries	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)
All returns, total	1,146,326	47,143,676	1,144,864	12,206,634	617,604	6,647,706	6,417	70,460
Decedent estate.....	111,824	3,395,569	111,068	1,022,544	17,634	272,060	617	9,664
Simple trust.....	308,382	16,552,289	308,471	3,941,346	216,319	2,107,586	884	10,152
Complex trust.....	713,876	26,709,360	711,704	7,074,510	379,502	4,153,318	4,760	48,633
Generation-skipping trust ¹	3,563	202,123	3,578	53,430	1,802	24,164	16	100
Grantor trust.....	1,227	6,284	929 ²	4,704	794	6,561	92	1,498
Partial grantor trust.....	9,954	250,698	9,928	68,451	2,501	37,800	**64	**513
Ancillary estate or trust.....	--	--	--	--	**	**	**	**
Bankruptcy estate.....	99	5,266	1,801	23,305	**199	**6,359	**	**
Split-interest trust.....	964	224,210	963	71,774	655	64,022	**	**

Footnotes at end of table.

Fiduciary Income Tax Returns, 1997

Table 2.--Fiduciary Returns Filed for Tax Year 1997: Income Source, Deductions, and Tax Liability, by Type of Entity--Continued

[Money amounts are in thousands of dollars]

Type of entity	Tax paid with extension		Federal income tax withheld		Other payments		Total prior payments	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)
All returns. total.....	60,759	2,201,192	31,105	83,786	3,710	11,686	670,457	8,873,907
Decedent estate.....	9,669	241,739	14,042	46,877	482	1,005	38,667	552,016
Simple trust.....	9,510	449,258	5,037	11,062	1,216	1,753	225,466	2,559,507
Complex trust.....	40,659	1,478,378	11,360	23,706	1,920	8,739	400,963	5,615,508
Generation-skipping trust ¹	460	23,429	97	47	9	3	2,064	47,543
Grantor trust.....	105	1,528	152	300	21	24	972	6,913
Partial grantor trust.....	580	13,617	384	1,256	52	49	3,246	52,214
Ancillary estate or trust.....	--	--	--	--	--	--	**	**
Bankruptcy estate.....	96	2,849	107	525	13	111	**392	**9,845
Split-interest trust.....	140	13,823	23	60	6	5	751	77,904

** Data deleted or combined to prevent disclosure of individual taxpayer data.

¹ Generation-skipping trusts are included in the total count and amount of complex trusts.

² Because grantor trusts normally do not report tax liability, these returns may have been classified incorrectly due to reporting or processing errors.

NOTE: Detail may not add to totals because of rounding.