

Short Summary of rules on trusts in existing version L of HB 115

From Richard Pomp

SUMMARY OF RULES ON TRUSTS

1. **RESIDENT TRUSTS:** Resident trusts are taxable on all of their AGI at 7% whether from AK sources or not. A trust will be a resident trust if it will be administered or governed under AK law. 43.22.150 (19).

a. **NR beneficiaries of resident trusts** are taxable only on their AK source income. **INVESTMENT INCOME WILL NOT BE AK SOURCE INCOME. 43.22.045(a)(9)**

b. **Resident beneficiaries of resident trusts** are taxable on all their trust income regardless of source.

2. **NR TRUSTS:** NR trusts are taxed only on their AK source income at 7%.

a. **NR beneficiaries of NR trusts are taxable only on their AK source income.**

b. **Resident beneficiaries of NR trusts are taxable on all their trust** income regardless of source.

THERE IS NO DOUBLE TAXATION:

a. If the trust makes a distribution of income in the current year, then it will deduct that distribution and the beneficiary will be taxable under the rules above.

b. If the trust makes no distribution of current income, it will be taxable under the rules above. If the trust then distributes income in the future that was previously taxed to the trust in an earlier year, there will be no second tax on the beneficiary, regardless of whether the beneficiary is a resident of AK and regardless of whether the beneficiary is a NR of AK and the income is from AK sources.