

## **Distributions From Trust Corpus**

To Whom It Shall Concern;

There seems to be some confusion as to distributions from the corpus of the Trust to Beneficiaries and items or funds taken by the Trustee. These items are and will be treated in the following manner with relation to taxable events:

1. When the Trust is funded by anyone they may take back a Demand Note for the value of the assets that have been conveyed to the Trust. If a Trustee had done this any funds they used out of the Trust corpus that would be considered personal income may be credited against the Demand Note they hold from the Trust.
2. The other possible way is for the Trustee to take out a loan from the corpus of the Trust of some time duration bearing reasonable interest rates that may be renewed and rolled into a new loan. This may be a long term balloon end note with the principle and interest due at the end of the term which is renewed and restructured.
3. Any personal expense taken outside of these two methods is personal income to the Trustee and subject to ordinary income tax declared and paid by the receiver of the benefits or funds. This is also true of Beneficiaries that are distributed funds. The care and education of minors is excluded.
4. Beneficiaries may also borrow on the long term balloon end notes as described above.
5. Some confusion has arisen via gifts from the Trust. Trusts are neither individuals nor estates and there is no exemption for gifts to Beneficiaries contrary to popular belief. Any distribution by a Trust is ordinary income to the receiver of the disbursement.

Pass this on to all your clients with Trusts so there will be no confusion as to the operation of Trusts.