

17 NCAC 06B .3723 ALLOCATION OF ADJUSTMENTS

(a) The additions and deductions to federal taxable income of an estate or trust shall be apportioned between the estate or trust and the beneficiaries based on the distributions of income made during the taxable year. If the trust instrument or will that created the estate or trust does not provide for the distribution of certain classes of income to different beneficiaries, the apportionment of additions and deductions to the beneficiaries shall be determined on the basis that each beneficiary's share of the estate's or trust's "total income," the sum of lines 1 through 8 on the beneficiary's Schedule K-1, Federal Form 1041, relates to "adjusted total income" from line 17 of Federal Form 1041. If the trust instrument or will specifically provides for the distribution of certain classes of income to different beneficiaries, any addition or deduction directly attributable to a particular class of income shall be apportioned to the beneficiaries to which that class of income is distributed. After apportioning the additions and deductions to the beneficiaries, the balance is apportioned to the fiduciary.

(b) In allocating the adjustments, for State purposes the amount of "total income" on Federal Schedule K-1 shall be adjusted for distributions to the beneficiary that are not reflected in "total income." The "adjusted total income" on Federal Form 1041 shall be adjusted:

- (1) to exclude classes of income that are not part of the distribution to the beneficiary;
- (2) to include classes of income that are a part of the distribution to the beneficiary, but shall not be included in adjusted total income; and
- (3) by any deduction treated differently for State and federal tax purposes that adjusts federal taxable income pursuant to G.S. 105-153.5 and G.S. 105-153.6.

History Note: Authority G.S. 105-153.4; 105-153.5; 105-153.6; 105-160.2; 105-160.5; 105-262; Eff. June 1, 1990; Amended Eff. June 1, 1993; Readopted Eff. May 1, 2016.