

§ 1.666(c)-1

§ 1.666(c)-1 Pro rata portion of taxes deemed distributed.

(a) If an accumulation distribution is deemed under § 1.666(a)-1 to be distributed on the last day of a preceding taxable year and the amount is less than the undistributed net income for such preceding taxable year, then an additional amount is likewise deemed distributed under section 661(a)(2). The additional amount is equal to the taxes imposed on the trust, as defined in § 1.665(d)-1, for such preceding taxable year, multiplied by the fraction of which the numerator is the amount of the accumulation distribution and the denominator is the undistributed net income for such preceding taxable year. See paragraph (b) of example 1 and paragraphs (c) and (f) of example 2 in § 1.666(c)-2, and paragraph (f)(2) of § 1.668(b)-2 for illustrations of this paragraph.

(b) For the purpose of paragraph (a) of this section, the undistributed net income of any preceding taxable year is computed without regard to the accumulation distribution of the taxable year or any taxable year following the taxable year. However, accumulation distributions of any taxable years intervening between such preceding taxable year and the taxable year are taken into account. See paragraph (d) of § 1.666(a)-1, paragraph (c) of example 1 and paragraphs (e) and (h) of example 2 in § 1.666(c)-2 and paragraph (f)(5)(iii) of § 1.668(b)-2.

[T.D. 6500, 25 FR 11814, Nov. 26, 1960, as amended by T.D. 6989, 34 FR 741, Jan. 17, 1969]

§ 1.666(c)-2 Illustration of the provisions of section 666.

The application of the provisions of §§ 1.666(a)-1, 1.666(b)-1, and 1.666(c)-1 may be illustrated by the following examples:

Example 1. (a) A trust makes accumulation distributions as follows:

1959	\$7,000
1960	25,000

For 1954 through 1958, the undistributed portion of distributable net income taxes imposed on the trust, and undistributed net income are as follows:

Year	Undistributed portion of distributable net income	Taxes imposed on the trust	Undistributed net income
1958	\$12,100	\$3,400	\$8,700
1957	16,100	5,200	10,900
1956	6,100	1,360	4,740
1955	None	None	None
1954	10,100	2,640	7,460

(b) Since the entire amount of the accumulation distribution for 1959 (\$7,000), determined without regard to the accumulation distribution for 1960, is less than the undistributed net income for 1958 (\$8,700), an additional amount of \$2,736 ($7,000 / 8,700 \times \$3,400$) is likewise deemed distributed under section 666(c).

(c) In allocating the accumulation distribution for 1960, the undistributed net income for 1958 will take into account the accumulation distribution for 1959, and the additional amount of taxes imposed on the trust for 1958 deemed distributed. The undistributed net income for 1958 will then be \$1,906; and the taxes imposed on the trust for 1958 will then be \$458, determined as follows:

Undistributed portion of distributable net income as of the close of 1958	\$12,100
Less:	
Accumulation distribution (1959)	\$7,000
Taxes deemed distributed under section 666(c) ($7,000 / 8,700 \times \$3,400$)	2,736
	9,736
Balance (undistributed portion of distributable net income as of the close of 1959)	2,364
Less: Personal exemption	100
	2,264
Balance	2,264
Taxes imposed on the trust (income taxes on \$2,264)	458
Undistributed portion of distributable net income as of the close of 1959	2,364
Less: Income taxes attributable thereto	458
	1,906
Undistributed net income for 1958 as of the close of 1959	1,906

(d) The accumulation distribution of \$25,000 for 1960 is deemed to have been made on the last day of the 5 preceding taxable years of the trust to the extent of \$17,546, the total of the undistributed net income for such years, as shown in the tabulation below. In addition, \$7,018, the total taxes imposed on the trust for such years is also deemed to have been distributed on the last day of such years, as shown below:

Year	Undistributed net income	Taxes imposed on the trust
1959	None	None
1958	\$1,906	\$458
1957	10,900	5,200
1956	4,740	1,360
1955	None	None