

### § 1.669(c)-3A

operating loss carryback or carryover, by a charitable contributions carryover, or by a capital loss carryback or carryover determined by reference to the taxable year to which amounts are allocated under either method and which carryback or carryover is reduced or increased by such amounts so allocated.

[T.D. 7204, 37 FR 17155, Aug. 25, 1972]

#### § 1.669(c)-3A Information requirements with respect to beneficiary.

(a) *Information to be supplied by beneficiary*—(1) *Use of exact method.* The beneficiary must supply the information required by subparagraph (3) of § 1.668(b)-4A(a) for any prior taxable year for which a recomputation is required under either the exact method or the short-cut method. Such information shall be filed with the beneficiary's return for the year in which the tax under section 668(a)(3) is imposed.

(2) *Failure to furnish.* If the beneficiary fails to furnish the information required by this paragraph for any prior year involved in the exact method, he may not use such method and the tax computed under paragraph (c) of § 1.669(b)-1A (the short-cut method) shall be deemed to be the amount of partial tax imposed by section 668(a)(3). See, however, paragraph (b) of this section for an exception to this rule where the short-cut method is not permitted. If he cannot furnish the information required for a prior year involved in the short-cut method, such year will be recomputed on the basis of the best information available.

(b) *Exception.* If, by reason of § 1.669(b)-1A(e), the beneficiary may not compute the partial tax on the capital gain distribution under § 1.669(b)-1A(c) (the short-cut method), the provisions of subparagraph (2) of paragraph (a) of this section shall not apply. In such case, if the beneficiary fails to provide the information required by § 1.668(b)-4A(a)(3) for any prior taxable year, the district director shall, by utilizing whatever information is available to him (including information supplied by the beneficiary), determine the bene-

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ficiary's income and related expenses for such prior taxable year.

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#### § 1.669(d)-1A Total taxes deemed distributed.

(a) If a capital gain distribution is deemed under § 1.669(a)-1A to be distributed on the last day of a preceding taxable year and the amount is not less than the undistributed capital gain for such preceding taxable year, then an additional amount equal to the "taxes imposed on the trust attributable to the undistributed capital gain" (as defined in § 1.665(d)-1A(c)) for such preceding taxable year is also deemed to have been properly distributed. For example, assume a trust has no distributable net income and has undistributed capital gain of \$18,010 for the taxable year 1974. The taxes imposed on the trust attributable to the undistributed capital gain are \$2,190. During the taxable year 1977, a capital gain distribution of \$18,010 is made to the beneficiary which is deemed under § 1.669(a)-1A to have been distributed on the last day of 1974. The 1977 capital gain distribution is not less than the 1974 undistributed capital gain. Accordingly, taxes of \$2,190 imposed on the trust attributable to the undistributed capital gain for 1974 are also deemed to have been distributed on the last day of 1974. Thus, a total of \$20,200 will be deemed to have been distributed on the last day of 1974.

(b) For the purpose of paragraph (a) of this section, the undistributed capital gain of any preceding taxable year and the taxes imposed on the trust for such preceding taxable year attributable to such undistributed capital gain are computed after taking into account any capital gain distributions of taxable years intervening between such preceding taxable year and the taxable year. See paragraph (c) of § 1.669(a)-1A.

[T.D. 7204, 37 FR 17156, Aug. 25, 1972]

#### § 1.669(e)-1A Pro rata portion of taxes deemed distributed.

(a) If a capital gain distribution is deemed under § 1.669(a)-1A to be distributed on the last day of a preceding taxable year and the amount is less than the undistributed capital gain for such

preceding taxable year, then an additional amount is also deemed to have been properly distributed. The additional amount is equal to the "taxes imposed on the trust attributable to the undistributed capital gain" (as defined in § 1.665(d)-1A(c)) for such preceding taxable year, multiplied by a fraction, the numerator of which is the amount of the capital gain distribution allocated to such preceding taxable year and the denominator of which is the undistributed capital gain for such preceding taxable year. See paragraph (b) of example 1 and paragraphs (c) and (f) of example 2 in § 1.669(e)-2A for illustrations of this paragraph.

(b) For the purpose of paragraph (a) of this section, the undistributed capital gain of any preceding taxable year and the taxes imposed on the trust for such preceding taxable year attributable to such undistributed capital gain are computed after taking into account any capital gain distributions of any taxable years intervening between such preceding taxable year and the taxable year. See paragraph (c) of § 1.669(a)-1A, paragraph (c) of example 1 and paragraphs (e) and (h) of example 2 in § 1.669(e)-2A.

[T.D. 7204, 37 FR 17156, Aug. 25, 1972]

**§ 1.669(e)-2A Illustration of the provisions of section 669.**

The application of the provisions of §§ 1.669(a)-1A, 1.669(d)-1A, and 1.669(e)-1A may be illustrated by the following examples:

*Example 1.* (a) A trust created on January 1, 1974, makes capital gain distributions as follows:

1979.....	\$14,000
1980 .....	.60,000

The trust had accumulated income in 1974.

For 1974 through 1978, the undistributed portion of capital gain, taxes imposed on the trust attributable to the undistributed capital gain, and undistributed capital gain are as follows:

Year	Undistributed portion of capital gain	Taxes imposed on the trust attributable to the undistributed capital gain	Undistributed capital gain
1974	\$24,200	\$2,830	\$21,370
1975	32,200	4,330	27,870
1976	12,200	1,130	11,070
1977	None	None	None
1978	10,200	910	9,290

(b) Since the entire amount of the capital gain distribution for 1979 (\$14,000), determined without regard to the capital gain distribution for 1980, is less than the undistributed capital gain for 1974 (\$21,370), an additional amount of \$1,854 (14,000/21,370 × \$2,830) is deemed distributed under section 669(e).

(c) In allocating the capital gain distribution for 1980, the amount of undistributed capital gain for 1974 will reflect the capital gain distribution for 1979. The undistributed capital gain for 1974 will then be \$7,370 and the taxes imposed on the trust for 1974 will be \$976, determined as follows:

Undistributed capital gain as of the close of 1974 .....	\$21,370
Less: Capital gain distribution (1979) .....	14,000
Balance (undistributed capital gain as of the close of 1979) .....	7,370
Taxes imposed on the trust attributable to the undistributed capital gain as of the close of 1979 (7,370/ 21,370 × 2,830) .....	976

(d) The capital gain distribution of \$60,000 for 1980 is deemed to have been made on the last day of the preceding taxable years of the trust to the extent of \$55,600, the total of the undistributed capital gain for such years, as shown in the tabulation below. In addition, \$7,346, the total taxes imposed on the trust attributable to the undistributed capital gain for such years is also deemed to have been distributed on the last day of such years, as shown below:

Year	Undistributed capital gain	Taxes imposed on the trust attributable to the undistributed capital gain
1974 .....	\$7,370	\$976
1975 .....	27,870	4,330
1976 .....	11,070	1,130
1977 .....	None	None
1978 .....	9,290	910
1979 .....	None	None
Total .....	55,600	7,346

*Example 2.* (a) Under the terms of a trust instrument, the trustee has discretion to accumulate or distribute the income to X and to invade corpus for the benefit of X. The trust is subject to capital gain throwback. Both X and the trust report on the calendar year basis. All of the income for 1974 was distributed and the capital gain was accumulated. The capital gain of the trust for the taxable year 1974 is \$40,200 and the income taxes paid by the trust for 1974 attributable to the undistributed capital gain are \$6,070. All of the income and capital gains for 1975 and 1976 were distributed and in addition the trustee made capital gain distributions within the meaning of section 665(g) of \$8,000 for each year.

(b) The undistributed capital gain of the trust determined under section 665(f) as of