

State of Rhode Island - Division of Taxation

Personal Income Tax

Regulation PIT 90-16

Resident Beneficiaries' Treatment of Accumulation Distribution by a Trust

I. DEFINITION

The term "accumulation distribution" shall have the same meaning as it has under the laws of the United States and the Internal Revenue Code of 1954, as amended.

II. RHODE ISLAND INCOME TAX LIABILITY

The Rhode Island income tax liability for the year in which an accumulation distribution is received is the greater of:

- a. The Rhode Island income tax liability computed on an adjusted Federal income tax liability that excludes the amount of the accumulation distribution, or
- b. The Rhode Island income tax liability computed on the Federal income tax liability including the Federal tax on the amount of the accumulation distribution less the beneficiary's allocable portion of the Rhode Island tax previously paid by the trust.

III. THE RHODE ISLAND TAX ADJUSTMENT

The Rhode Island tax adjustment is computed as follows:

- a. Based upon Federal "throw back" rules, determine the preceding years to which the accumulation distribution shall be carried;
- b. Recompute the Rhode Island personal income tax liability for each year including the accumulation distribution by computing the Federal income tax liability and applying the appropriate Rhode Island rate for that year;
- c. From the amounts determined in (b) above, subtract the original Rhode Island personal income tax liability for the beneficiary for each year to arrive at the difference in Rhode Island income tax attributable to the distribution (not less than zero);
- d. From the amounts determined in (c) above, subtract the Rhode Island income tax previously paid by the trust for each year applicable to the accumulation distribution (not less than zero). If all of the previously taxed income is not distributed, the amount of Rhode Island tax to be subtracted should be in the same proportion as the amount of actual distribution bears to the total accumulated income for that year.

If more than one beneficiary is involved, the amount of Rhode Island tax paid to be subtracted shall be that portion of the tax paid that the accumulation distribution received by the beneficiary

bears to the total accumulation distribution made to all beneficiaries for that year;

e. Add the amounts determined in (d) above to arrive at the Rhode Island tax adjustment.

IV. RHODE ISLAND TAX CREDIT

Title 44 - Section 30-19(a) states:

. . . A resident beneficiary of a trust whose Rhode Island income includes all or part of an accumulation distribution by such trust . . . shall be allowed a credit against the tax otherwise due under this chapter for all or a proportionate part of the tax paid by the trust.

In order to calculate the credit allowable, add together the amount of Rhode Island tax paid by the trust for each applicable year as they appear in III(d) above.

V. RHODE ISLAND TAX PAYABLE

To determine the Rhode Island tax payable for the year, subtract the credit computed in IV above from the tax payable as computed in I(b).

This computation is necessary because Title 44, Section 30-19(b) states:

. . . The credit under this section shall not reduce the tax otherwise due from the beneficiary under this chapter to an amount less than would have been due if the accumulation distribution or his part thereof were excluded from his Rhode Island income.

R. GARY CLARK
TAX ADMINISTRATOR

DATE FILED: MAY 1, 1990