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March 31, 2014

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Re: Comments on [REG-130843-13](#) relating to guidance under section 1411, as added by the Health Care and Education Reconciliation Act of 2010, regarding net investment income tax as relevant to estates and trusts (12/16/2013)

Dear Messrs. Koskinen, Wilkins, and Wilson, and Ms. Zarlenga:

The American Institute of Certified Public Accountants (AICPA) submits the comments below in response to the above mentioned proposed regulations published on December 16, 2013 (referred to as the “December 2013 proposed regulations”), regarding guidance on the new Internal Revenue Code (IRC or Code) section¹ 1411 net investment income tax (NIIT) as relevant to trusts. Section 1411 imposes a tax on unearned income on investments of certain individuals, estates, and trusts, whose income is above the statutory threshold amounts. These comments are in addition to our [AICPA comments](#) (dated May 8, 2013) on the prior proposed regulations ([REG-130507-11](#)) (referred to as the “December 2012 proposed regulations”) on section 1411 NIIT as relevant to trusts and estates, and are in addition other AICPA comments on other aspects of the December 2012 and December 2013 proposed regulations.

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¹ All references herein to “section” or “§” are to the IRC of 1986, as amended, or the Treasury Regulations promulgated thereunder.

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Executive Summary

The AICPA recommends that with respect to trusts and estates, and in particular with respect to charitable remainder trusts (CRTs), the forthcoming final regulations under section 1411 address the following:

- Retain the elective simplified method (ESM) as an election for calculating the net investment income (NII) of a CRT and attributing the calculated NII to the beneficiary's annuity or unitrust distribution.
- Provide rules on whether accumulated net investment income (ANII) of a CRT has any character, and we recommend that ANII of a CRT has no character.
- Provide examples that illustrate the ESM and its interplay with the rules of section 664(b).
- Change the reference to "information return" rather than "income tax return."
- Provide that the ESM election is made on the tax return filed for the first taxable year beginning after the final regulations are issued.
- Clarify certain examples related to a CRT's ownership of controlled foreign corporations (CFCs) and passive foreign investment companies (PFICs).

Background

Section 1402(a)(1) of the [Health Care and Education Reconciliation Act of 2010](#) added new section 1411 to the Code effective for taxable years beginning after December 31, 2012. Section 1411(a)(2) provides that in the case of an estate or trust, in addition to any other tax imposed by the subtitle, an additional tax is imposed, equal to 3.8 percent of the lesser of —

- (A) the undistributed NII for such taxable year, or
- (B) the excess (if any) of the adjusted gross income (as defined in section 67(e)) for such taxable year, over the dollar amount at which the highest tax bracket in section 1(e) begins for such taxable year.

On December 5, 2012, proposed regulations (REG-130507-11) were published that address various aspects of section 1411, including the section's application to trusts and

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estates. On December 16, 2013, final regulations ([T.D. 9644](#)) and additional proposed regulations ([REG-130843-13](#)) were issued. The following comments are provided with respect to the provisions of the December 2013 proposed regulations that affect trusts.

General Comments

The AICPA recognizes the effort that was devoted by Internal Revenue Service (IRS) and Department of the Treasury (Treasury) officials to provide clarity for taxpayers and practitioners regarding this new tax on NII. The guidance is appreciated as it generally provides a reasonable approach to interpreting, implementing, and complying with the new NII tax rules as applicable to trusts.

The AICPA is pleased that the December 2013 final regulations adopted the AICPA's suggestion in our May 8, 2013 comments that NII of a CRT is treated in accordance with section 664(b) and section 1.664-1(d)(1)(ii) (NII rules track with the ordering rules under the CRT category and class system) and NII of a CRT is not treated as distributed first to the annuity or unitrust recipient unless so required under the current statutory and regulatory provisions.

Specific Comments

The AICPA recommends that the forthcoming final regulations address the following issues with regard to CRTs.

A. Elective Simplified Method

Proposed Reg. § 1.1411-3(d)(3), proposed in December 2013, provides for an ESM for calculating the NII of a CRT and attributing the calculated NII to the beneficiary's annuity or unitrust distribution. While the ESM is presented as an election in the December 2013 proposed regulations, the ESM was the sole method included in the December 2012 proposed regulations. Under the ESM, the NII of the beneficiary attributable to the beneficiary's annuity or unitrust distribution from a CRT is the amount equal to the lesser of the total amount of the distributions or the current and accumulated NII (ANII) of the CRT. The scope of the ESM is unclear from the proposed regulations. We presume from the context that the ESM applies only for purposes of computing the amount of NII treated as distributed to the beneficiary as part of the annuity or unitrust distribution to determine the beneficiary's NII tax and that the normal rules of section 664(b) and the regulations thereunder apply for purposes of determining the character of the annuity or unitrust distribution to determine the beneficiary's income tax. If our presumption is true, the final regulations should make this point explicit by providing that "Nothing in this section shall be construed to alter the determination of the tax character

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of a beneficiary's annuity or unitrust amount under Chapter 1 as determined under section 664(b) and section 1.664-1(d).”

1. **Final Regulations Should Retain the ESM as an Election**

The Preamble to the original December 2012 proposed regulations states that the ESM reduces the trustee's compliance and recordkeeping burden because the ESM does not track NII consistent with the category and class structure of Treas. Reg. § 1.664-1(d)(1), which is the method ultimately adopted in the final regulations. The Preamble to the December 2013 proposed regulations states that if comments to the December 2013 proposed regulations do not indicate significant interest in retaining the ESM, the final regulations may omit the ESM as a permissible method of calculating NII.

We are uncertain whether the ESM will reduce the trustee's compliance and recordkeeping burden. The ESM requires the trustee to keep a record of current and accumulated NII to determine the amount of NII distributed with the annuity or unitrust payment and, if the components of ANII retain their character, the ESM also requires the trustee to determine which items of ANII are retained by the CRT. The trustee is also required to keep a record of the categories and classes of current and accumulated income for purposes of section 664(b). Thus, two sets of records are necessary to comply with this “simplified” method.

One situation in which a trustee might elect to utilize the ESM is if none of the beneficiaries of the CRT expects to be subject to the NIIT, both currently and in the future, because their modified adjusted gross income is less than the applicable threshold amount. While statistics of the number of CRTs where this situation may be the case are not available, anecdotal evidence suggests that a significant number of CRT beneficiaries meet this criteria. Accordingly, we believe the final regulations should retain the ESM. However, we believe that the final regulations should refer to this method as the “elective alternative method,” rather than the ESM, and should explicitly inform trustees of the dual recordkeeping burden they will face if they choose this method.

2. **Final Regulations Should Provide Rules on Whether ANII of a CRT Has Any Character, and We Recommend that ANII of a CRT Has No Character**

Proposed Reg. § 1.1411-3(d)(3)(ii) provides that in computing the beneficiary's share of ANII any properly allocable deductions that exceed the gross investment income and net gain for the year are allowed to reduce the amount of the ANII for that taxable year and any excess deductions shall reduce the ANII for subsequent taxable years. The Preamble to the December 2013 proposed regulations provides:

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In the case of CRTs, for chapter 1 purposes, the section 664(d) regulations allow for losses within each income class to be carried forward to offset income earned by the CRT within the same class in a future year. Therefore, this provision of the simplified method retains the chapter 1 principle that a CRT's losses are carried forward and offset income in future years. For example, if a CRT has a long-term capital loss of \$10,000 in year 1 and a \$11,000 long-term capital gain in year 2, the section 664(d) regulations provide that the CRT will have \$1,000 of long-term gain available for distribution in year 2. Proposed Reg. §1.1411-3(d)(3)(ii) is intended to provide the same result such that the CRT would have \$1,000 of accumulated net investment income available for distribution in year 2.

It is unclear from the proposed regulations whether the ANII of a CRT retains its character rather than ANII simply consisting of a positive or a negative number. The discussion in the Preamble refers to matching the rules and the results in the ESM with the rules and results in the section 664(d) regulations, and the example explicitly offsets a long-term capital loss in one year against a long-term capital gain in the next. Thus, it appears that ANII must retain its character to allow for the offsetting of excess deduction in one year with ANII in the next year. In order to try to simplify the ESM, we suggest that the final regulations explicitly provide that ANII has no character but rather is just a positive or negative number. As a result, any excess deductions from 2013 and thereafter may offset any future positive ANII regardless of the underlying character of either the deduction or the income. Since all NII is taxed at the same rate, the character of the NII should not matter.

However, if the IRS and Treasury determine that the ANII of a CRT does retain its character, the final regulations need to provide rules to :

- a. Determine which items of NII are treated as:
 - i. Distributed to the beneficiary, and
 - ii. Retained by the CRT, and
- b. Explain which deductions and losses can offset which items of ANII.

With respect to the first issue, the character of the items treated as distributed to the beneficiary is irrelevant to the beneficiary for purposes of the NII tax, but the character of the items retained by the CRT is relevant in allowing future deductions to offset the ANII. The final regulations could provide that the amount retained by the CRT is treated as consisting of a pro-rata portion of each item of ANII or could use the ordering rules of section 664(b) to determine the character of the NII treated as distributed to the beneficiaries and the ANII retained by the CRT.

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With respect to the second issue, the final regulations need to provide rules for what deductions and losses can be used to offset what types of ANII. Section 1.664-1(d)(1)(iv) provides rules for netting gains and losses with the character of any remaining undistributed gain or loss carrying over to the following year. The final regulations could adopt these rules for purposes of determining ANII or could establish its own set of rules.

In summary, we suggest that ANII should not retain any character, but rather have the item as a positive or negative number that can be used to offset positive or negative NII recognized by the CRT in a future year. We believe that whatever decision is made, the final regulations should explain the decision and reflect it in examples included in the regulations (and not only in the Preamble).

3. **Final Regulations Should Provide Examples Illustrating the ESM and Its Interplay with the Section 664(b) Rules**

To assist taxpayers in implementing the ESM, we suggest the final regulations provide examples to illustrate the application of the ESM. Specifically, please illustrate the difference between what is treated as distributed to the beneficiary for NIIT purposes versus what is treated as distributed to the beneficiary for income tax purposes.

We recommend that the final regulations include, at a minimum, an example for each of the following scenarios:

1. The CRT's ANII exceeds the current year's required annuity or unitrust distribution;
2. The current year's required annuity or unitrust distribution exceeds the CRT's ANII; and
3. The application of a CRT's excess deductions that are carried forward to the succeeding year's ANII.

4. **Final Regulations Should Reference "Information Return" Rather than "Income Tax Return"**

Proposed Reg. § 1.1411-3(d)(3)(iii) states that the election is made on the CRT's "income tax return." Section 6034(a) states that a CRT must "furnish such *information* . . . as the Secretary may by forms . . . require." (emphasis added) [Form 5227](#), *Split-Interest Trust Information Return*, is self-described as an "information return," in contrast to an "income tax return." Accordingly, we suggest that the reference in Prop. Reg. § 1.1411-3(d)(3)(iii) refer to making the election on the CRT's "information return" rather than "income tax return."

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5. **The ESM Election Should Be Made on the First Information Return Filed After the Final Regulations Are Issued**

Proposed Reg. § 1.1411-3(d)(3)(iii) provides that for a CRT established before January 1, 2013, the trust must make the ESM election on its information return for the first taxable year beginning on or after January 1, 2013. For a CRT established after December 31, 2012, the trust must make the ESM election on its first information return. For a CRT established in 2013 or before, the trust must make the election on the information return filed in 2014 prior to the date that the ESM is even a permitted method for computing a beneficiary's NII from a CRT distribution. The preamble to the proposed regulations states that the ESM may not be even a permissible method once the final regulations are issued. If the ESM election is permitted when the final regulations are issued, then the final regulations should allow CRTs to make the election on their information returns filed for the first taxable year beginning on or after the date the final regulations are published.

B. **Ownership of CFCs and PFICs by a CRT Where the Election under Prop. Reg. § 1.1411-10(g) Is Not Made**

1. **Final Regulations Should Consistently Use Actual Years in the Examples**

The examples provided under Prop. Reg. § 1.1411-3(d)(2) use a mixture of references to actual years (e.g., 2010, 2012) and representative years (e.g., Year 1), which can confuse the reader. Because of the relevance of December 31, 2012 as a boundary reflecting the imposition of the tax under section 1411, we suggest that the examples utilize actual years throughout the regulations to increase readability.

2. **Example 2(i) Should State the Net Income with Makeup Charitable Remainder Trust (NIMCRUT) “Recognizes” Instead of “Receives”**

Example 2(i), states that the NIMCRUT “receives” a section 951(a) inclusion of \$5,000. However, since this is a non-cash event, we suggest the example state that “the NIMCRUT *recognizes* a section 951(a) inclusion of \$5,000” to clarify that the inclusion in gross income is not related to the “receipt” of cash.

3. **Example 2(iii) Should State that the Trust Has No Trust Accounting Income in Year 2.**

Example 2(iii), states that “[t]he NIMCRUT makes no distributions to its sole income beneficiary in Year 2.” For readers who are less familiar with the distinction between a

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NIMCRUT and a standard charitable remainder unitrust (CRUT), we suggest that this statement be amplified to state that the trust has no trust accounting income in Year 2.

4. **Final Regulations Should Adopt AICPA's Suggested Flow and Explicitly Document in Examples 2(iii) and 3(iii) that a Reclassification Occurs Before Allocation of the Distribution Among the Categories and Classes**

Examples 2(iii) and Example 3(iii) use a footnote to document that an amount that was not NII when received will become NII when it is distributed as a result of the receipt of a CFC distribution. However, the consequence of the allocation described in Prop. Reg. § 1.1411-3(d)(2)(ii)(B) is in essence a reclassification from income excluded from NII to income included in NII. As drafted, this reclassification is only made to the extent of the trust distribution and is implicit rather than explicit. The allocated amounts that are not reclassified are noted within the example in a footnote to the category and class schedule.

The AICPA recommends that this allocation results in an explicit reclassification of the entire amount of the CFC distribution utilizing the allocation rule of Prop. Reg. § 1.1411-3(d)(2)(ii)(B) in order that the current year trust distribution is properly characterized and any undistributed portion of the CFC distribution is explicitly captured as subject to NII when distributed in the future. The footnote methodology employed in the examples as drafted risks the loss of this detail when transferring balances from one year to the next or from one trustee to another. To explain this recommended change, we are attaching as an Appendix to our comments a redlined copy of these two examples with our suggested changes.

* * * * *

We welcome the opportunity to discuss these comments or to answer any questions.

I can be reached at (304) 522-2553 or jporter@portercpa.com; or you may contact Eric L. Johnson, Chair, AICPA Trust, Estate, and Gift Tax Technical Resource Panel, at (312) 486-4442 or ericljohnson@deloitte.com; or Eileen Sherr, AICPA Senior Technical Manager, at (202) 434-9256 or esherr@aicpa.org.

Sincerely,



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Chair, Tax Executive Committee

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cc: Ms. Catherine Veihmeyer Hughes, Estate and Gift Tax Attorney Advisor, Office of Tax Policy, Department of the Treasury
Ms. Melissa Liquerman, Chief Branch 2, Office of the Associate Chief Counsel for Passthroughs and Special Industries, Internal Revenue Service
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APPENDIX

As mentioned on page 8 of the comments, below is a redline of suggested changes we recommend that the IRS consider to amend the flow to the AICPA-provided approach and explicitly document in Examples 2(iii) and 3(iii) that a reclassification is occurring as a precursor to allocating the distribution among the categories and classes.

Example 2. (i) In 2010, A creates a net income with makeup CRT (NIMCRUT). A is the sole income beneficiary of the NIMCRUT for 15 years. As of December 31, 2012, the NIMCRUT had \$2,000 of dividend income and \$180,000 of long-term capital gain within the Ordinary Income and Capital Gain Categories, respectively. Because both of these amounts were received by the NIMCRUT during a taxable year beginning before 2013, both constitute excluded income within the meaning of §1.1411-1(d). In Year 1, the NIMCRUT acquires an interest in a CFC. The NIMCRUT does not make the §1.1411-10(g) election with respect to the CFC. In Year 1, the NIMCRUT receives a section 951(a) inclusion of \$5,000 and makes no distributions to A. For all years, income derived with respect to the CFC is not income derived in a trade or business described in section 1411(c)(2) and §1.1411-5.

(ii) In Year 1, §1.1411-3(d)(2)(ii)(A) treats the section 951 inclusion as excluded income and allocates it to the class of non-NII with a 39.6% tax rate in the Ordinary Income Category under §1.664-1(d)(1).

YEAR 1 ENDING CATEGORY AND CLASS BALANCES

Category	Class	Excluded/NII	Tax rate (percent)	Amount
Ordinary Income	Interest and Other Income (including section 951 Inclusions).	Excluded	39.6	\$5,000
	Qualified Dividends	Excluded	20.0	2,000
Capital Gain	Long-Term	NII	23.8	0
	Long-Term	Excluded	20.0	180,000
Other Income .....	.....	.....	.....	None

(iii) The NIMCRUT has no trust accounting income in Year 2 and therefore makes no distributions to its sole income beneficiary in Year 2. In Year 3, the CFC distributes \$4,000 to the NIMCRUT (which constitutes net investment income under §1.1411-10(c)(1)(i)), the NIMCRUT has a total of \$800 of post-2012 interest, and the NIMCRUT distributes \$4,000 to the beneficiary.

CATEGORY AND CLASS BALANCES IMMEDIATELY BEFORE BOTH THE CFC DISTRIBUTION AND THE NIMCRUT'S YEAR 3 DISTRIBUTION TO A

Category	Class	Excluded/NII	Tax rate (percent)	Amount
Ordinary Income	Interest (post-2012)	NII	43.4	\$800
	Interest and Other Income (including section 951 Inclusions).	Excluded	39.6	5,000
	Qualified Dividends	Excluded	20.0	2,000
Capital Gain	Long-Term	NII	23.8	0
	Long-Term	Excluded	20.0	180,000
Other Income .....	.....	.....	.....	None

Section 1.1411-3(d)(2)(ii)(B) will cause the \$4,000 distribution from the CFC to be allocated first to the class of excluded income within the Ordinary Income Category with the highest Federal tax rate (the Interest and Other Income class). By reason of the allocation under §1.1411-3(d)(2)(ii)(B), the \$4,000 CFC distribution results in the reclassification of \$4,000 from the Interest and Other Income class that that is excluded from NII to the Interest and Other Income class that is NIL. In this example, the \$4,000 CFC distribution is added to the \$800 of post-2012 Interest Income and the Interest and Other Income excluded from NII is reduced by \$4,000 as shown below.

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CATEGORY AND CLASS BALANCES AFTER RECLASSIFICATION AND IMMEDIATELY BEFORE THE NIMCRUT'S
YEAR 3 DISTRIBUTION TO A

Category	Class	Excluded/NII	Tax rate (percent)	Amount
Ordinary Income	Interest and Other Income (post-2012)	NII	43.4	\$4,800
	Interest and Other Income (including section 951 Inclusions).	Excluded	39.6	1,000
	Qualified Dividends	Excluded	20.0	2,000
Capital Gain	Long-Term	NII	23.8	0
	Long-Term	Excluded	20.0	180,000
Other Income .....	.....	.....	.....	None

The distribution to A consists of \$800 of post-2012 interest (subject to section 1411) and \$3,200 from the Interest and Other Income class, of which all \$3,200 constitutes NII by reason of the allocation under §1.1411-3(d)(2)(ii)(B). As a result of the \$4,000 reclassification from Interest and Other Income excluded from NII to Interest and Other Income included in NII, \$800 of the \$4,000 CFC distribution will remain in the Interest and Other Income class that is included in NII to characterize future distributions, as illustrated below. Of the \$1,800 remaining in that category after the distribution to A, \$800 will carry out NII to A, and will be includable in A's net investment income, when it is distributed to A in the future. Because the ~~\$3,200~~ \$4,000 distributed to A from this class ~~\$4,000~~ reclassified from Interest and Other Income excluded from NII to Interest and Other Income included NII is subject to both income tax and tax under section 1411 for Year 3, the timing differential attributable to the rules in §1.1411-10 has been corrected within the NIMCRUT before the income is distributed to A. Further, the \$800 remaining from the CFC distribution has been explicitly characterized as subject NII as a result of the reclassification and is clearly identified as such.

YEAR 3 ENDING CATEGORY AND CLASS BALANCES
[Immediately following the distribution to A]

Category	Class	Excluded/NII	Tax rate (percent)	Amount
Ordinary Income	Interest and Other Income (post-2012)	NII	43.4	\$800
	Interest and Other Income (including section 951 Inclusions).	Excluded	39.6	1,000
	Qualified Dividends	Excluded	20.0	2,000
Capital Gain	Long-Term	NII	23.8	0
	Long-Term	Excluded	20.0	180,000
Other Income .....	.....	.....	.....	None

Example 3. (i) Assume the same facts as in *Example 2*, except that, in Year 2, the NIMCRUT has a section 951 inclusion in the amount of \$4,000, taxable interest income of \$800, tax exempt interest of \$4,000. Assume the CRT has \$1,100 undistributed capital gain from a taxable year ending before December 31, 2012.

CATEGORY AND CLASS BALANCES IMMEDIATELY BEFORE THE YEAR 2 DISTRIBUTION TO A

Category	Class	Excluded/NII	Tax rate (percent)	Amount
Ordinary Income	Interest (post-2012)	NII	43.4	\$800
	Interest and Other Income (including section 951 Inclusions).	Excluded	39.6	9,000
	Qualified Dividends	Excluded	20.0	2,000
Capital Gain	Long-Term	NII	23.8	0
	Long-Term	Excluded	20.0	1,100
Other Income .....	.....	Excluded .....	.....	4,000

(ii) In Year 2, the NIMCRUT made a \$4,800 distribution to A in that same year (leaving a net balance in the Interest and Other Income class of \$5,000 at the end of Year 2).

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CATEGORY AND CLASS BALANCES AS OF DECEMBER 31, YEAR 2
[Immediately following the distribution to A]

Category	Class	Excluded/NII	Tax rate (percent)	Amount
Ordinary Income	Interest (post-2012)	NII	43.4	\$0
	Interest and Other Income (including section 951 Inclusions).	Excluded	39.6	5,000
	Qualified Dividends	Excluded	20.0	2,000
Capital Gain	Long-Term	NII	23.8	0
	Long-Term	Excluded	20.0	1,100
Other Income .....	.....	Excluded .....	.....	4,000

A's net investment income in Year 2 will include \$800 of taxable interest income, but will not include the \$4,000 of other ordinary income.

(iii) In Year 3, the NIMCRUT received a distribution from the CFC of \$9,000, and assume, for purposes of this example, that the NIMCRUT distributes \$6,000 to A. Section 1.1411-3(d)(2)(ii)(B) will cause the \$9,000 distribution from the CFC to be allocated first to the class of excluded income within the Ordinary Income Category with the highest Federal tax rate (thus, \$5,000 to the Other Income class and \$2,000 to Qualified Dividends). The \$2,000 balance of the Year 3 distribution from the CFC is allocated under §1.1411-3(d)(2)(ii)(B) as follows: \$1,100 to the Long-Term Capital Gain class of non-NII (so the distribution to A from this class in the future will carry out \$1,100 of NII to A), and the remaining \$900 to the Other Income Category (so the distribution to A from this class in the future will carry out \$900 of NII to A). Each of these allocations results in a reclassification from a class of income that is excluded from NII to a corresponding class that is included in NII, creating such a class if such a class does not already exist within the category. This reclassification is illustrated below.

CATEGORY AND CLASS BALANCES AS OF DECEMBER 31, YEAR 3
[Immediately before the distribution to A]

Category	Class	Excluded/NII	Tax rate (percent)	Amount
Ordinary Income	<u>Interest and Other Income (including section 951 Inclusions).</u>	<u>NII</u>	<u>43.4</u>	<u>\$5,000</u>
	<u>Interest and Other Income (including section 951 Inclusions).</u>	<u>Excluded</u>	<u>39.6</u>	<u>0</u>
	<u>Qualified Dividends</u>	<u>NII</u>	<u>43.4</u>	<u>2,000</u>
Capital Gain	<u>Qualified Dividends</u>	<u>Excluded</u>	<u>20.0</u>	<u>0</u>
	<u>Long-Term</u>	<u>NII</u>	<u>23.8</u>	<u>1,100</u>
Other Income	<u>Long-Term</u>	<u>Excluded</u>	<u>20.0</u>	<u>0</u>
	<u>.....</u>	<u>NII</u>	<u>.....</u>	<u>900</u>
	<u>.....</u>	<u>Excluded</u>	<u>.....</u>	<u>3,100</u>

Accordingly , the distribution to A consists of \$5,000 of Interest and Other Income class and \$1,000 of Qualified Dividends, all of which constitutes NII by reason of the allocation under §1.1411-3(d)(2)(ii)(B).

A's net investment income in Year 3 will include \$5,000 of other ordinary income and \$1,000 of qualified dividend income.

The balances carried forward to Year 4 will be as follows:

CATEGORY AND CLASS BALANCES AS OF DECEMBER 31, YEAR 3
[Immediately after the distribution to A]

Category	Class	Excluded/NII	Tax rate (percent)	Amount
Ordinary Income	<u>Interest and Other Income (including section 951 Inclusions).</u>	<u>NII</u>	<u>43.4</u>	<u>\$0</u>

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<u>Category</u>	<u>Class</u>	<u>Excluded/NII</u>	<u>Tax rate (percent)</u>	<u>Amount</u>
	<u>Interest and Other Income (including section 951 Inclusions).</u>	<u>Excluded</u>	<u>39.6</u>	<u>0</u>
	<u>Qualified Dividends</u>	<u>NII</u>	<u>43.4</u>	<u>1,000</u>
	<u>Qualified Dividends</u>	<u>Excluded</u>	<u>20.0</u>	<u>0</u>
<u>Capital Gain</u>	<u>Long-Term</u>	<u>NII</u>	<u>23.8</u>	<u>1,100</u>
	<u>Long-Term</u>	<u>Excluded</u>	<u>20.0</u>	<u>0</u>
<u>Other Income</u>	<u>.....</u>	<u>NII</u>		<u>900</u>
	<u>.....</u>	<u>Excluded</u>	<u>.....</u>	<u>3,100</u>