

**§ 1.667(a)-1A**

**26 CFR Ch. I (4-1-04 Edition)**

trust in fact made such distribution on the last day of such year. However, such taxes are allowed as a credit under section 668(b) against the tax of the beneficiaries who are treated as having received the distributions in the preceding taxable year. The amount of taxes which may not be refunded or credited to the trust under this paragraph and which are allowed as a credit under section 668(b) against the tax of the beneficiaries, is an amount equal to the excess of:

(1) The taxes imposed on the trust (as defined in section 665(d) and § 1.655(d)-1) for any preceding taxable year (computed without regard to the accumulation distribution for the taxable year) over

(2) The amount of taxes for such preceding taxable year which would be imposed on the undistributed portion of distributable net income of the trust for such preceding taxable year after the application of subpart D (section 665 and following), part I, subchapter J, chapter 1 of the Code, on account of the accumulation distribution determined for the taxable year.

It should be noted that the credit under section 667 is computed by the use of a different ratio from that used for computing the amount of taxes deemed distributed under section 666(c).

(b) Paragraph (a) of this section may be illustrated by the following examples:

*Example 1.* In 1954, a trust of which A is the sole beneficiary has taxable income of \$20,000 (including capital gains of \$5,100 allocable to corpus less a personal exemption of \$100), on which a tax of \$7,260 is paid.

The undistributed portion of distributable net income is \$15,000, to which \$6,160 of the tax is allocable under section 665. The undistributed net income is therefore \$8,840 (\$15,000 minus \$6,160). In 1955, the trust makes an accumulation distribution of \$8,840. Under section 666(b), the total taxes for 1954 attributable to the undistributed net income are deemed distributed, so \$15,000 is deemed distributed. The amount of the tax which may not be refunded to the trust under section 667 and the credit to which A is entitled under section 668(b) is the excess of \$6,160 over zero, since after the distribution and the application of subpart D there is no remaining undistributed portion of distributable net income for 1954.

*Example 2.* The same trust as in example 1 of this paragraph distributes \$5,000 in 1955, rather than \$8,840. The amount of the tax which may not be refunded to the trust but which is available to A as a credit is \$4,044, computed as follows:

Accumulation distribution in 1955 .....	\$5,000
Taxes deemed distributed under section 666(c) (5,000/8,840×\$6,160) .....	3,484
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Total amount deemed distributed out of the undistributed portion of distributable net income .....	8,484
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Tax attributable to the undistributed portion of distributable net income (\$15,000) before 1955 distribution (see example 1 of this paragraph) ..	6,160
Tax on \$11,516 (taxable income of \$20,000 minus \$8,484, amount deemed distributed) .....	\$3,216
Tax on \$5,000 (capital gains of \$5,100, less personal exemption of \$100, allocable to corpus) .....	1,100
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Tax attributable to undistributed portion of distributable net income after 1955 distribution .....	2,116
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Refund disallowed to the trust and credit available to A in 1955 .....	4,044

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

**§ 1.667(a)-1A Denial of refund to trusts.**

If an amount is deemed under section 666 or 669 to be an amount paid, credited, or required to be distributed on the last day of a preceding taxable year, the trust is not allowed a refund or credit of the amount of "taxes imposed on the trust", as defined in § 1.665(d)-1A. However, such taxes imposed on the trust are allowed as a credit under section 667(b) against the tax of certain beneficiaries who are treated as having received the distributions in the preceding taxable year.

[T.D. 7204, 37 FR 17147, Aug. 25, 1972]

**§ 1.667(b)-1A Authorization of credit to beneficiary for taxes imposed on the trust.**

(a) *Determination of credit*—(1) *In general.* Section 667(b) allows under certain circumstances a credit (without interest) against the tax imposed by subtitle A of the Code on the beneficiary for the taxable year in which the accumulation distribution is required to be included in income under section 668(a). In the case of an accumulation distribution consisting only of undistributed net income, the amount of such credit is the total of the taxes