

SUBPART C—ESTATES AND TRUSTS WHICH MAY ACCUMULATE INCOME OR WHICH DISTRIBUTE CORPUS

- Sec.  
661. Deductions for estates and trusts accumulating income or distributing corpus.<sup>1</sup>  
662. Inclusion of amounts in gross income of beneficiaries of estates and trusts accumulating income or distributing corpus.  
663. Special rules applicable to sections 661 and 662.  
664. Charitable remainder trusts.

AMENDMENTS

1969—Pub. L. 91-172, title II, §201(e)(2), Dec. 30, 1969, 83 Stat. 564, added item 664.

SUBPART REFERRED TO IN OTHER SECTIONS

This subpart is referred to in sections 643, 665, 671, 685, 1312 of this title.

**§ 661. Deduction for estates and trusts accumulating income or distributing corpus**

**(a) Deduction**

In any taxable year there shall be allowed as a deduction in computing the taxable income of an estate or trust (other than a trust to which subpart B applies), the sum of—

- (1) any amount of income for such taxable year required to be distributed currently (including any amount required to be distributed which may be paid out of income or corpus to the extent such amount is paid out of income for such taxable year); and
- (2) any other amounts properly paid or credited or required to be distributed for such taxable year;

but such deduction shall not exceed the distributable net income of the estate or trust.

**(b) Character of amounts distributed**

The amount determined under subsection (a) shall be treated as consisting of the same proportion of each class of items entering into the computation of distributable net income of the estate or trust as the total of each class bears to the total distributable net income of the estate or trust in the absence of the allocation of different classes of income under the specific terms of the governing instrument. In the application of the preceding sentence, the items of deduction entering into the computation of distributable net income (including the deduction allowed under section 642(c)) shall be allocated among the items of distributable net income in accordance with regulations prescribed by the Secretary.

**(c) Limitation on deduction**

No deduction shall be allowed under subsection (a) in respect of any portion of the amount allowed as a deduction under that subsection (without regard to this subsection) which is treated under subsection (b) as consisting of any item of distributable net income which is not included in the gross income of the estate or trust.

(Aug. 16, 1954, ch. 736, 68A Stat. 220; Pub. L. 94-455, title XIX, §1906(b)(13)(A), Oct. 4, 1976, 90

<sup>1</sup> So in original. Does not conform to section catchline.

Stat. 1834; Pub. L. 97-248, title III, §§302(b)(2), 308(a), Sept. 3, 1982, 96 Stat. 586, 591; Pub. L. 98-67, title I, §102(a), Aug. 5, 1983, 97 Stat. 369.)

AMENDMENTS

1983—Subsec. (a). Pub. L. 98-67 repealed amendments made by Pub. L. 97-248. See 1982 Amendment note below.

1982—Subsec. (a). Pub. L. 97-248 provided that, applicable to payments of interest, dividends, and patronage dividends paid or credited after June 30, 1983, subsec. (a) is amended by inserting at end “For purposes of paragraph (1), the amount of distributable net income shall be computed without the deduction allowed by section 642(c).”. Section 102(a), (b) of Pub. L. 98-67, title I, Aug. 5, 1983, 97 Stat. 369, repealed subtitle A (§§301-308) of title III of Pub. L. 97-248 as of the close of June 30, 1983, and provided that the Internal Revenue Code of 1954 (this title) shall be applied and administered (subject to certain exceptions) as if such subtitle A (and the amendments made by such subtitle A) had not been enacted.

1976—Subsec. (b). Pub. L. 94-455 struck out “or his delegate” after “Secretary”.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 67, 642, 643, 662, 663, 665, 666, 677, 678, 6166 of this title.

**§ 662. Inclusion of amounts in gross income of beneficiaries of estates and trusts accumulating income or distributing corpus**

**(a) Inclusion**

Subject to subsection (b), there shall be included in the gross income of a beneficiary to whom an amount specified in section 661(a) is paid, credited, or required to be distributed (by an estate or trust described in section 661), the sum of the following amounts:

**(1) Amounts required to be distributed currently**

The amount of income for the taxable year required to be distributed currently to such beneficiary, whether distributed or not. If the amount of income required to be distributed currently to all beneficiaries exceeds the distributable net income (computed without the deduction allowed by section 642(c), relating to deduction for charitable, etc., purposes) of the estate or trust, then, in lieu of the amount provided in the preceding sentence, there shall be included in the gross income of the beneficiary an amount which bears the same ratio to distributable net income (as so computed) as the amount of income required to be distributed currently to such beneficiary bears to the amount required to be distributed currently to all beneficiaries. For purposes of this section, the phrase “the amount of income for the taxable year required to be distributed currently” includes any amount required to be paid out of income or corpus to the extent such amount is paid out of income for such taxable year.

**(2) Other amounts distributed**

All other amounts properly paid, credited, or required to be distributed to such beneficiary for the taxable year. If the sum of—

- (A) the amount of income for the taxable year required to be distributed currently to all beneficiaries, and