

Subsec. (d)(1)(C). Pub. L. 105-34, §1530(a), which directed amendment of subpar. (C) by striking period at end and inserting “or, to the extent the remainder interest is in qualified employer securities (as defined in subsection (g)(4)), all or part of such securities are to be transferred to an employee stock ownership plan (as defined in section 4975(e)(7)) in a qualified gratuitous transfer (as defined by subsection (g)).”, was executed by making the insertion after “for such a use” to reflect the probable intent of Congress. Subpar. (C) did not contain a period after amendment by Pub. L. 105-34, §1089(b)(1). See below.

Pub. L. 105-34, §1089(b)(1), struck out period after “for such a use”.

Subsec. (d)(1)(D). Pub. L. 105-34, §1089(b)(1), added subpar. (D).

Subsec. (d)(2)(A). Pub. L. 105-34, §1089(a)(1), inserted “nor more than 50 percent” after “not less than 5 percent”.

Subsec. (d)(2)(B). Pub. L. 105-34, §1530(c)(5), inserted “and other than qualified gratuitous transfers described in subparagraph (C)” after “subparagraph (A)”.

Pub. L. 105-34, §1089(b)(2), struck out “and” at end.

Subsec. (d)(2)(C). Pub. L. 105-34, §1530(a), which directed amendment of subpar. (C) by striking period at end and inserting “or, to the extent the remainder interest is in qualified employer securities (as defined in subsection (g)(4)), all or part of such securities are to be transferred to an employee stock ownership plan (as defined in section 4975(e)(7)) in a qualified gratuitous transfer (as defined by subsection (g)).”, was executed by making the insertion after “for such a use” to reflect the probable intent of Congress. Subpar. (C) did not contain a period after amendment by Pub. L. 105-34, §1089(b)(2). See below.

Pub. L. 105-34, §1089(b)(2), struck out period after “for such a use”.

Subsec. (d)(2)(D). Pub. L. 105-34, §1089(b)(2), added subpar. (D).

Subsec. (d)(4). Pub. L. 105-34, §1089(b)(4), added par. (4).

Subsec. (g). Pub. L. 105-34, §1530(b), added subsec. (g). 1984—Subsec. (f). Pub. L. 98-369 added subsec. (f).

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

EFFECTIVE DATE OF 2015 AMENDMENT

Pub. L. 114-113, div. Q, title III, §344(b), Dec. 18, 2015, 129 Stat. 3115, provided that: “The amendment made by this section [amending this section] shall apply to terminations of trusts occurring after the date of the enactment of this Act [Dec. 18, 2015].”

EFFECTIVE DATE OF 2006 AMENDMENT

Pub. L. 109-432, div. A, title IV, §424(b), Dec. 20, 2006, 120 Stat. 2974, provided that: “The amendment made by this section [amending this section] shall apply to taxable years beginning after December 31, 2006.”

Pub. L. 109-280, title VIII, §868(b), Aug. 17, 2006, 120 Stat. 1025, provided that: “The amendment made by this section [amending this section] shall take effect on the date of the enactment of this Act [Aug. 17, 2006].”

EFFECTIVE DATE OF 2001 AMENDMENT

Amendment by Pub. L. 107-16 applicable to years beginning after Dec. 31, 2001, see section 632(a)(4) of Pub. L. 107-16, set out as a note under section 72 of this title.

EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105-206 effective, except as otherwise provided, as if included in the provisions of the Taxpayer Relief Act of 1997, Pub. L. 105-34, to which such amendment relates, see section 6024 of Pub. L. 105-206, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1997 AMENDMENT

Pub. L. 105-34, title X, §1089(a)(2), Aug. 5, 1997, 111 Stat. 960, provided that: “The amendment made by paragraph (1) [amending this section] shall apply to transfers in trust after June 18, 1997.”

Pub. L. 105-34, title X, §1089(b)(6), Aug. 5, 1997, 111 Stat. 961, provided that:

“(A) IN GENERAL.—Except as otherwise provided in this paragraph, the amendments made by this subsection [amending this section and section 2055 of this title] shall apply to transfers in trust after July 28, 1997.

“(B) SPECIAL RULE FOR CERTAIN DECEDENTS.—The amendments made by this subsection shall not apply to transfers in trust under the terms of a will (or other testamentary instrument) executed on or before July 28, 1997, if the decedent—

“(i) dies before January 1, 1999, without having republished the will (or amended such instrument) by codicil or otherwise, or

“(ii) was on July 28, 1997, under a mental disability to change the disposition of his property and did not regain his competence to dispose of such property before the date of his death.”

Amendment by section 1530(a), (b), (c)(5) of Pub. L. 105-34 applicable to transfers made by trusts to, or for the use of, an employee stock ownership plan after Aug. 5, 1997, see section 1530(d) of Pub. L. 105-34, set out as a note under section 401 of this title.

EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by Pub. L. 98-369, applicable to transfers after Dec. 31, 1978, see section 1022(e)(2) of Pub. L. 98-369, set out as a note under section 2055 of this title.

EFFECTIVE DATE

Section applicable to transfers in trust made after July 31, 1969, see section 201(g)(5), set out as an Effective Date of 1969 Amendment note under section 170 of this title.

SAVINGS PROVISION

For provisions that nothing in amendment by Pub. L. 115-141 be construed to affect treatment of certain transactions occurring, property acquired, or items of income, loss, deduction, or credit taken into account prior to Mar. 23, 2018, for purposes of determining liability for tax for periods ending after Mar. 23, 2018, see section 401(e) of Pub. L. 115-141, set out as a note under section 23 of this title.

SUBPART D—TREATMENT OF EXCESS DISTRIBUTIONS BY TRUSTS

Sec. 665.	Definitions applicable to subpart D.
666.	Accumulation distribution allocated to preceding years.
667.	Treatment of amounts deemed distributed by trust in preceding years.
668.	Interest charge on accumulation distributions from foreign trusts.
[669.	Repealed.]

AMENDMENTS

1976—Pub. L. 94-455, title VII, §701(g)(1), title X, §1014(c), Oct. 4, 1976, 90 Stat. 1580, 1617, substituted in item 667 “Treatment of amounts deemed distributed by trust in preceding years” for “Denial of refund to trusts; authorization of credit to beneficiaries”, in item 668 “Interest charge on accumulation distributions from foreign trusts” for “Treatment of amounts deemed distributed in preceding years”, and struck out item 669 “Treatment of capital gain deemed distributed in preceding years”.

1969—Pub. L. 91-172, title III, §331(a), Dec. 30, 1969, 83 Stat. 592, struck out “5” after “allocated to” in item 666, inserted “authorization of credit to beneficiaries” in item 667, and substituted “Treatment of capital gain deemed distributed in preceding years” for “Special rules applicable to certain foreign trusts” in item 669.

1962—Pub. L. 87-834, §7(i)(1), Oct. 16, 1962, 76 Stat. 988, added item 669.

§ 665. Definitions applicable to subpart D**(a) Undistributed net income**

For purposes of this subpart, the term “undistributed net income” for any taxable year means the amount by which distributable net income of the trust for such taxable year exceeds the sum of—

- (1) the amounts for such taxable year specified in paragraphs (1) and (2) of section 661(a), and
- (2) the amount of taxes imposed on the trust attributable to such distributable net income.

(b) Accumulation distribution

For purposes of this subpart, except as provided in subsection (c), the term “accumulation distribution” means, for any taxable year of the trust, the amount by which—

- (1) the amounts specified in paragraph (2) of section 661(a) for such taxable year, exceed
- (2) distributable net income for such year reduced (but not below zero) by the amounts specified in paragraph (1) of section 661(a).

For purposes of section 667 (other than subsection (c) thereof, relating to multiple trusts), the amounts specified in paragraph (2) of section 661(a) shall not include amounts properly paid, credited, or required to be distributed to a beneficiary from a trust (other than a foreign trust) as income accumulated before the birth of such beneficiary or before such beneficiary attains the age of 21. If the amounts properly paid, credited, or required to be distributed by the trust for the taxable year do not exceed the income of the trust for such year, there shall be no accumulation distribution for such year.

(c) Exception for accumulation distributions from certain domestic trusts

For purposes of this subpart—

(1) In general

In the case of a qualified trust, any distribution in any taxable year beginning after the date of the enactment of this subsection shall be computed without regard to any undistributed net income.

(2) Qualified trust

For purposes of this subsection, the term “qualified trust” means any trust other than—

- (A) a foreign trust (or, except as provided in regulations, a domestic trust which at any time was a foreign trust), or
- (B) a trust created before March 1, 1984, unless it is established that the trust would not be aggregated with other trusts under section 643(f) if such section applied to such trust.

(d) Taxes imposed on the trust

For purposes of this subpart—

(1) In general

The term “taxes imposed on the trust” means the amount of the taxes which are imposed for any taxable year of the trust under this chapter (without regard to this subpart or part IV of subchapter A) and which, under regulations prescribed by the Secretary, are properly allocable to the undistributed portions of

distributable net income and gains in excess of losses from sales or exchanges of capital assets. The amount determined in the preceding sentence shall be reduced by any amount of such taxes deemed distributed under section 666(b) and (c) to any beneficiary.

(2) Foreign trusts

In the case of any foreign trust, the term “taxes imposed on the trust” includes the amount, reduced as provided in the last sentence of paragraph (1), of any income, war profits, and excess profits taxes imposed by any foreign country or possession of the United States on such foreign trust which, as determined under paragraph (1), are so properly allocable. Under rules or regulations prescribed by the Secretary, in the case of any foreign trust of which the settlor or another person would be treated as owner of any portion of the trust under subpart E but for section 672(f), the term “taxes imposed on the trust” includes the allocable amount of any income, war profits, and excess profits taxes imposed by any foreign country or possession of the United States on the settlor or such other person in respect of trust income.

(e) Preceding taxable year

For purposes of this subpart—

(1) In the case of a foreign trust created by a United States person, the term “preceding taxable year” does not include any taxable year of the trust to which this part does not apply.

(2) In the case of a preceding taxable year with respect to which a trust qualified, without regard to this subpart, under the provisions of subpart B, for purposes of the application of this subpart to such trust for such taxable year, such trust shall, in accordance with regulations prescribed by the Secretary, be treated as a trust to which subpart C applies.

(Aug. 16, 1954, ch. 736, 68A Stat. 223; Pub. L. 87-834, §7(b), Oct. 16, 1962, 76 Stat. 985; Pub. L. 91-172, title III, §331(a), Dec. 30, 1969, 83 Stat. 592; Pub. L. 92-178, title III, §306(a), Dec. 10, 1971, 85 Stat. 524; Pub. L. 94-455, title VII, §§701(b), (c), (d)(2), (3), title XIX, §1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1577, 1578, 1834; Pub. L. 95-600, title VII, §701(q)(1)(A), Nov. 6, 1978, 92 Stat. 2909; Pub. L. 99-514, title XVIII, §1847(b)(16), Oct. 22, 1986, 100 Stat. 2857; Pub. L. 101-508, title XI, §11802(f)(2), Nov. 5, 1990, 104 Stat. 1388-530; Pub. L. 104-188, title I, §1904(b)(1), (c)(2), Aug. 20, 1996, 110 Stat. 1912; Pub. L. 105-34, title V, §507(a), title XVI, §1604(g)(2), Aug. 5, 1997, 111 Stat. 856, 1099.)

REFERENCES IN TEXT

The date of the enactment of this subsection, referred to in subsec. (c)(1), is the date of enactment of Pub. L. 105-34, which was approved Aug. 5, 1997.

AMENDMENTS

1997—Subsec. (b). Pub. L. 105-34, §507(a)(2), inserted “except as provided in subsection (c),” after “subpart,” in introductory provisions.

Subsec. (c). Pub. L. 105-34, §507(a)(1), added subsec. (c).

Subsec. (d)(1). Pub. L. 105-34, §1604(g)(2), struck out “or 669(d) and (e)” after “666(b) and (c)”.

1996—Subsec. (c). Pub. L. 104-188, §1904(c)(2), struck out subsec. (c) which read as follows: “SPECIAL RULE