

# U.S. Legacy Income Trusts®

## Wealth Transfer Idea:

Take Advantage of Higher Gift and Estate Tax Exemption with U.S. Legacy Income Trusts®

Under the 2017 Tax Cuts and Jobs Act, the lifetime gift and estate tax exemption has more than doubled to \$13.61 million for individuals and \$27.22 million for married couples. If there are no significant tax law changes, this provision will expire at the end of 2025, effectively reducing the federal gift and estate tax exemption by half.

These looming changes offer compelling opportunities for wealth transfer and charitable giving. Donors seeking to take advantage of the current exemption may want to explore establishing a Legacy Income Trusts (Trusts) account for which they name their children or other family members as income beneficiaries.

Assets used to establish Trust income interests for income beneficiaries other than a Donor are typically excluded from the Donor's taxable estate. Such assets are treated as completed gifts for gift tax purposes upon the Donor's contribution to the Trust. Gifts of Trust income interests in 2024 may therefore help Donors take full advantage of their gift and estate tax exemption before it sunsets.

### Here are two case studies to exemplify the use case.

**A 65-year-old Donor contributes \$10 million of appreciated property to fund a Trusts account. The Donor names his 25-year-old daughter as the sole income beneficiary.**

Contribution value to the Trusts:	\$10,000,000
Capital gain recognized:	\$0
Value of charitable deduction for Donor:	\$1,538,500
Annual income stream to daughter:	\$739,000
	<ul style="list-style-type: none"><li>- Based on current distribution rate of 7.39% for Trust III.2 (as of 9/30/23)</li><li>- Starts immediately and continues for her lifetime</li></ul>
Value of completed gift to daughter:	\$8,461,500
	<ul style="list-style-type: none"><li>- Absorbs this amount of Donor's lifetime gift and estate tax exemption</li><li>- Gift is taxable to the extent gift amount exceeds Donor's available lifetime gift and estate tax exemption amount</li></ul>

**A 65-year-old Donor contributes \$10 million of appreciated property to fund a Trusts account. The Donor names himself as the sole initial income beneficiary and irrevocably names his 25-year-old daughter as the sole successor income beneficiary.**

Contribution value to the Trusts:	\$10,000,000
Capital gain recognized:	\$0
Value of charitable deduction for Donor:	\$1,481,100
Annual income stream to donor/daughter:	\$739,000
	<ul style="list-style-type: none"><li>- Based on current distribution rate of 7.39% for Trust III.2 (as of 9/30/23)</li><li>- Starts immediately and continues for Donor's lifetime; income stream for daughter begins upon Donor's death and continues for her lifetime</li></ul>
Value of completed gift to daughter:	\$3,698,800
	<ul style="list-style-type: none"><li>- Absorbs this amount of Donor's lifetime gift and estate tax exemption</li><li>- Calculated as difference between total present value of income interests and present value of income interest attributable to Donor</li></ul>

## Other Potential Benefits of Legacy Income Trusts:

- Turnkey alternative to a charitable remainder trust (CRT), without the cost of establishing a charitable trust
- Allows gifts of appreciated assets with no recognition of capital gains
- Potentially higher distribution taxed at qualified dividend income (QDI) rates which is currently taxed as capital gains rates
- Allows for younger and greater number of income beneficiaries as it doesn't need to meet the CRT's 10% remainder test
- Higher deduction than a CRT, thereby reducing the value of the gift toward the gift and lifetime exemption
- Use the [Charitable Income Tax Deduction Calculator](#) to compare the deductions for the Trusts vs. CRTs

### IMPORTANT INFORMATION AND DISCLOSURES

The Trusts are pooled income funds described in Internal Revenue Code Section 642(c)(5) established in 2022 by the Gift Trust as part of the Gift Trust's U.S. Legacy Income Trust program, which it established in 2019. All Trust activities and the participation of Donors and income beneficiaries in the Trusts are subject to the requirements of state and federal law, the terms and conditions of the Trusts' Declarations of Trust, the Information Statement and the completed Donor Contribution Forms submitted by each Donor. The Gift Trust's Board of Directors of the Gift Trust (Board of Directors) reserves the right to modify the Trusts' program at any time, subject to the provisions of the Trusts' Declarations of Trust and state and federal law. Any contribution to a Trust, once accepted by the Trustee, represents an irrevocable commitment. Contributions cannot be rescinded or changed, and are subject to the exclusive legal control of the Trust, the Trustee and the Board of Directors. Donors to the Trusts should be motivated by charitable intent. As charitable giving vehicles, the Trusts should not be treated as, and are not designed to compete with, investments made for private gain. An intention to benefit the Gift Trust and one or more qualified charitable organizations eligible for support by the Gift Trust should be a significant part of the decision to contribute to a Trust.

The tax consequences of contributing to a Trust will vary based on individual circumstances. Prospective Donors should consult their own tax advisors. Nothing in this flyer or the Information Statement should be construed as tax advice. Distributions to income beneficiaries are not guaranteed by any party, and are subject to investment risk. In considering potential changes in annual distribution rates, the Trustee will assess the Trusts' long-term earnings potential and seek to balance the interests of current and future income beneficiaries and the charitable remainder interests.

Neither the Trusts nor the Gift Trust has been registered under federal securities laws, pursuant to available exemptions. Neither the Trusts nor the Gift Trust is guaranteed or insured by the United States or any of its

agencies or instrumentalities. Contributions are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of, or guaranteed by, any depository institution. Eaton Vance Distributors, Inc. is a paid solicitor of certain Trusts and the Gift Trust, receiving compensation as described in the Information Statement and in the Donor-Advised Funds' Gifting Booklet.

If a Donor designates as an income beneficiary a grandchild or another individual treated as being two or more generations removed from the Donor (sometimes known as a "skip person") for purposes of the federal generation-skipping transfer (GST) tax, distributions from the Trust to the beneficiary may be subject to GST tax if the Donor has not allocated GST exemption to the beneficiary's income interest on a gift or estate tax return. Where applicable, the federal GST tax is levied in addition to gift or estate taxes that apply, and is not a substitute for them. The rules governing the federal GST tax are complex. Donors who are considering naming a skip person as an income beneficiary should consult their own tax advisors regarding the associated GST tax consequences.

When a Donor makes a contribution to a Trust account with multiple income beneficiaries, the federal gift, estate and GST consequences of such contribution may be more complicated. In addition to the federal gift, estate and GST taxes that may apply, a number of states impose estate, GST and/or inheritance taxes. In addition, Connecticut imposes a gift tax on resident taxpayers' gifts to individuals in excess of permitted exemptions and exclusions. See "Tax Considerations" in the Trusts' current Information Statements (Information Statements). **All Donors should consult their own tax advisors regarding potential federal, state, local or non-U.S. gift, estate, GST, inheritance and other tax consequences of their contributions to a Trust.**  
**NOT FDIC INSURED. OFFER NOT BANK GUARANTEED. MAY LOSE VALUE . NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY. NOT A DEPOSIT.**

**To learn more, please visit [www.uslegacyincometrusts.org](http://www.uslegacyincometrusts.org)**