4 T.C. 529 (1945)

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A testamentary trust can deduct distributions to a beneficiary that are made from income, but cannot deduct annuity payments guaranteed regardless of available income, and payments by an executrix “for the trustee” are attributed to the trust.

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Summary

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This case clarifies the distinction between annuity payments and income distributions from a trust for tax deduction purposes. The will established a trust requiring a minimum monthly payment to the beneficiary, regardless of trust income, with the corpus available if income was insufficient. The court held that the guaranteed minimum payment was an annuity, not deductible by the trust. However, additional payments made from income above the guaranteed minimum were deductible as income distributions. The court also clarified that payments made by the estate’s executrix on behalf of the trustee are attributable to the trustee for deduction purposes.

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Facts

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Daniel Burkhartsmeier’s will created a trust for his daughter, Maezie Barbara Woodrich. The will directed the trustee to pay Maezie up to $1,000 per month from the trust’s net income, but guaranteed a minimum of $500 per month, even if it required invading the trust corpus. The will also instructed the executrix to transfer sufficient assets to the trustee to ensure the $500 monthly payments and, until such transfer, to pay the $500 monthly directly to Maezie

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