

CALIFORNIA CHANGES TAX LEGISLATION FOR INCOMPLETE NON-GRANTOR TRUSTS

BY RICHARD UMANOFF, CPA, MBA

Prior to January 1, 2023, California residents were able to avoid California taxation for any income earned by the ING trust that was not distributed to them.

Incomplete Non-Grantor (ING) trusts are incomplete (“gift”) non-grantor trusts with the unique purpose of avoiding the imposition of state income tax on transactions occurring inside the trust.

The ING trusts were allowed to be formed in states that do not tax trust assets, such as Delaware Incomplete-gift Non-grantor Gift (DING), Wyoming Incomplete-gift Non-grantor Gift (WING), Nevada Incomplete-gift Non-grantor Gift (NING) to name a few.

On July 10, 2023, Governor Newsom signed legislation (Senate Bill 131) that codified California state income tax treatment of ING. Effective, retroactive to January 1, 2023, California will treat

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INGs as grantor trusts for State income tax purposes.

Senate Bill 131 added section 17082 to the California revenue and Taxation Code that states that California residents who transferred assets into an ING will be treated as the owners of the ING for California income tax purposes and will be liable for any taxable income earned by the ING.

If you would like more information regarding ING's or other estate/trust issues, please feel free to contact our KROST's estate and trust specialists.

Note: Any changes to your estate plan must be drafted by your attorney.

About KROST's Estate & Gift, Trust and Probate Services

Our estate planning team assists with the transition of family wealth and estate succession. Our team of experts has over 90 years of combined experience working with family-owned and privately held companies, as well as high-net-worth individuals. Our primary goal is to assist individuals and their attorneys to effectively transfer wealth while minimizing unnecessary estate, gift, and generation-skipping taxes. In addition, we can coordinate all of your [Estate & Gift, Trust and Probate](#) needs to ensure a smooth transition while minimizing emotional, tax, and administrative burdens. [Contact us today.](#)

We are offering a [free preview](#) of the planner for download. Schedule a call to assess your situation for access to the full book.

There is no better time to start, and it is never too early.



Would you like assistance with your Estate Plan? [Douglas Venturelli](#) and [Richard Umanoff](#) are available to review your current estate plan, provide recommendations, and consult with your estate attorney.

About the Experts



Richard Umanoff, CPA, MBA, Principal **[Tax, Estate & Gift, Trust and Probate](#)**

Richard Umanoff is a Principal at KROST. Richard's career spans over 45 years, with a concentration in taxation. His primary emphasis is estate and trust tax compliance, planning, estate administration, and probate court accounting. Richard currently serves in the role of trustee for numerous clients. [» Full Bio](#)



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