

federal income tax law, however, enjoy the few procedural benefits that individuals do not. Trusts, for example, are not required to pay income tax on income received and disbursed to beneficiaries within the same fiscal year. That is, any income earned by the trust, if distributed within that same fiscal year, is not taxable on that year's return. If the trust retains income, however, (over \$100 in any particular year) it must pay income taxes at individual rates. Since the trust is liable for income taxes, it may also take advantage of the standard business deductions and other exemptions allowed by the Internal Revenue Code. Any taxes paid are deductible from gross income. Charitable contributions are deductible. Interest on loans is deductible. However, mortgage payments or capital improvements on trust-owned real estate are not deductible. One suggested method of avoiding capital improvements would be to classify one trust checking account as a repairs account to accomplish the repairs and maintenance of real estate. If the activities connected with maintaining or repairing trust real estate are not obvious capital improvements, then the repairs and maintenance costs are also deductible.