Student’s Name

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Course Code

Date

**Income taxation of trusts and estates after tax reform**

The income tax of trust and estate after tax reform signed by President Donald Trump affect both personal and business rate of tax. It adjusts the threshold for capital income and therefore, under the new tax law people will pay high taxes for acquiring any assets. Under general section 641(b), the taxable income of an estate or trust is taxable the same way as individual income. It is, therefore, means that individuals with higher income will pay higher taxes compared to the previous years. The trust and estate deduction increased and therefore, ordinary dividends and estate taxes are increased with an exemption of $300 on personal income (Wallace and Anderson 8). However, the adjusted total income (ATI), the ATI and DNI increase under the new income tax law signed by the president. It is noted that FAI will remain the same because the allocation of expenses is being controlled by the trust governing document.

The enacted income tax law also creates an impact on the taxes paid by businesses. Under Sec. 664(c) (2), the excise tax will be 100% on any unrelated business taxable income (UBTI), received by the trust. It also reduces the taxes which are paid by SMEs from a maximum of 39.6% to 29.6%. It means that small companies and corporations will pay fewer taxes compared to the previous year 2017. The taxable income for businesses is also reduced to 80%; time 37% top and therefore, the changes may exempt electing small business trusts (ESBT) from paying any taxes (Wallace and Anderson 2). The changes in income taxes will have a negative impact on an individual's income because it increases the rate of taxes on individual income. But it lowers taxes paid by small businesses and corporate and it is likely to affect individual income negatively.

# Works Cited

Wallace, Stephen C. and Kevin D. Anderson. "Income taxation of trusts and estates after tax reform." Income taxation of trusts and estates after tax reform (2018): 2-15.