

Split-Interest Trusts, 2000

by *Melissa J. Belvedere*

For Reporting Year 2000, the Statistics of Income Division began collecting data from all three types of trusts filing Form 5227, *Split-Interest Trust Information Return*. In previous years, data were collected from charitable remainder trusts only; beginning with 2000, data were also collected for charitable lead trusts and pooled income funds [1]. These new data will be part of the annual series of studies conducted, using Form 5227. For 2000, a total of 113,075 returns were filed, reporting approximately \$94.0 billion in book value end-of-year total assets (Figure A). Charitable lead trusts, which comprised only 4.0 percent of the total number of filers, held a surprising 11.5 percent of book value total assets. Annuity trusts and unitrusts, which comprised 20.0 percent and 74.5 percent, respectively, of the total number of filers, held 11.2 percent and 75.6 percent, respectively, of book value total assets. Pooled income funds, which made up only 1.4 percent of the total number of filers, held only 1.7 percent of total assets.

All split-interest trusts must file Form 5227 annually to report financial activity and to determine whether they should be treated as a private foundation. Split-interest trusts are complex trusts having both charitable and non-charitable, or private, beneficiaries. These trusts are, in a way, hybrids of exempt "charitable" trusts and simple (private) trusts. They are not recognized as tax-exempt by the Internal Revenue Service, yet retain many of the characteristics of tax-exempt organizations. There are three main types of split-interest trusts: charitable remainder trusts, charitable lead trusts, and pooled income funds. Charitable remainder trusts are further divided into annuity trusts and unitrusts.

For the purposes of this article, all trusts are discussed in terms of being small, medium, or large, based on the end-of-year book value of total assets [2]. Small trusts are those with less than \$0.5 million in total assets. This class includes those trusts that did not report their end-of-year book value of total assets, or that reported having assets of zero book value [3]. Medium trusts are those having from \$0.5

million to less than \$3.0 million in total assets; large trusts are those with \$3.0 million or more in end-of-year book value total assets.

Charitable Remainder Trusts

Background

Charitable remainder trusts pay a stream of income annually to one or more non-charitable beneficiaries until the trust is terminated, either by the death of a specific recipient (often the donor or surviving spouse) or at the end of a specified period (not to exceed 20 years). On termination of the trust, the remaining assets are then transferred to a charitable beneficiary. When the trust is created, the donor receives an income tax deduction based on the estimated amount ultimately to be donated to the designated charity. Internal Revenue regulations currently require that the amount given to the charity be at least 10.0 percent of the fair market value of the net assets initially placed in the trust.

Lifetime payments to non-charitable beneficiaries by charitable remainder trusts fall into two categories--either fixed, in the case of charitable remainder annuity trusts, or flexible, in the case of charitable remainder unitrusts. The payment amount is determined by applying a fixed percentage (between 5.0 percent and 50.0 percent, specified when the trust is created) to the fair market value of the assets. Annuity trusts determine the payment amount by applying the percentage to the fair market value of the assets at the time they are placed in the trust, thus creating stability by making payments of the same amount every year, regardless of market or other conditions. There is, however, no inflation protection or way to capitalize on a particularly robust market. Unitrusts determine the payment amount by applying the percentage to the fair market value of the assets as they are valued each year. Unitrusts, therefore, introduce more risk to the private recipient's income stream, yet provide the means to take full advantage of favorable market conditions [4].

Charitable remainder unitrusts can be divided further into two general categories--net income charitable remainder unitrusts (NI-CRUT) and net income with makeup charitable remainder unitrusts (NIM-CRUT). Net income unitrusts pay to the non-charitable beneficiary the lesser of either the trust's annual income or the unitrust amount. When the

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Split-Interest Trusts, 2000

Figure A

Profile of Split-Interest Trusts, by Type of Trust, 1999 and 2000

[Money amounts are in thousands of dollars]

Item	Total	Charitable remainder trusts						Charitable lead trusts	Pooled income funds
		Annuity trusts			Unitrusts				
		1999	2000	Percentage change	1999	2000	Percentage change		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Number of returns	113,075	21,630	22,669	4.8	78,239	84,201	7.6	4,571	1,634
Total net income.....	15,340,141	1,097,114	1,368,827	24.8	12,837,148	13,971,314	8.8	N/A	N/A
Net ordinary income ¹	2,553,633	334,978	372,419	11.2	2,291,729	2,181,214	-4.8	N/A	N/A
Total net capital gains (losses) ²	12,786,507	762,137	996,407	30.7	10,545,419	11,790,100	11.8	N/A	N/A
Distributions ³	8,055,896	619,667	1,068,221	72.4	4,738,180	6,117,692	29.1	751,973	118,010
Total assets at end of year:									
Book value.....	93,952,139	9,706,993	10,547,242	8.7	67,208,886	71,008,793	5.7	10,810,272	1,585,832
Fair market value ⁴	N/A	N/A	N/A	N/A	81,181,933	88,462,299	9.0	N/A	N/A

N/A--Not applicable.

¹ "Net ordinary income" is taken from Form 5227, line 13, Ordinary Income Less Deductions.

² "Total net capital gains (losses)" is the sum of line 16 (net short-term capital gains) and line 19 (net long-term capital gains) from Form 5227.

³ In the case of charitable remainder annuity trusts and unitrusts, "Distributions" have been calculated as the difference between "Total accumulations" (sum of columns (a) through (d), line 22) and "Undistributed at end of tax year" (sum of columns (a) through (d), line 23). In the case of charitable lead trusts, "Distributions" have been calculated as the sum of "excess income required to be paid for charitable purposes" (line 2), "annuity or unitrust payments required to be paid to charitable beneficiaries" (line 3), and "annuity or unitrust payments required to be paid to private beneficiaries" (line 4) from Part VII, Section A, Form 5227. In the case of pooled income funds, "Distributions" have been calculated as the difference between "amount required to be distributed to satisfy the remainder interest" (line 2), and "amounts required to be distributed to the remainder beneficiary that remain undistributed" (line 3), plus "amount required to be paid to private beneficiaries" (line 4), and "amount required to be paid to the charitable remainder beneficiary" (line 5) from Part VII, Section B, Form 5227.

⁴ "Fair market value of total assets at end of year" is taken from Form 5227, line 37, column (c) of the Balance Sheet.

NOTES: Data for 1999 for charitable lead trusts and pooled income funds are not available. Detail may not add to totals due to rounding and taxpayer reporting error.

trust's income is less than the unitrust amount, a distribution deficiency is incurred, which is not made up in future years. A net income with makeup unitrust allows the trust to pay the lesser of either the trust's annual income or the unitrust amount. However, if the trust has makeup provisions, the distribution deficiency is paid in future years when the net income of the trust is greater than the unitrust amount.

Income, Accumulations, and Distributions

Charitable Remainder Annuity Trusts

For 2000, some 22,669 charitable remainder annuity trusts filed information returns; 82.6 percent (18,725) were small trusts, 15.4 percent (3,484) were medium-sized, and large trusts were only 2.0 percent (461) of the total.

Charitable remainder annuity trusts reported approximately \$1.4 billion in total net income, of which \$372.4 million were net ordinary income, \$15.1 million were a net short-term capital loss, and \$1.0 billion were net long-term capital gains (Figure B).

Net ordinary income resulted primarily from interest and dividend income. In Reporting Year 2000, annuity trusts reported total accumulations of \$649.8 million in net ordinary income (Figure C). Approximately 54.3 percent of net ordinary income accumulations was distributed, leaving \$297.1 million undistributed at the end of the year. Distributions from ordinary income accumulations totaled 33.0 percent of the total distributions of annuity trusts; medium-sized trusts had the highest percentage of distributions coming from ordinary income, with 42.5 percent (Figure D) [5,6].

As a whole, annuity trusts experienced a loss of \$15.1 million in net short-term capital gains [7]. This loss, however, did not affect the smallest annuity trusts, which actually reported a \$2.5-million gain from short-term capital gains. Distributions from net short-term capital gains made up 0.3 percent of total distributions by annuity trusts, most notably by small annuity trusts, for which distributions from net short-term capital gains comprised 5.2 percent of total distributions.

Split-Interest Trusts, 2000

Figure B

Selected Income and Deduction Information for Charitable Remainder Annuity Trusts, by Size of Book Value of Total Assets, 2000

[Money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets		
		Under \$500,000 ¹	\$500,000 under \$3,000,000	\$3,000,000 or more
	(1)	(2)	(3)	(4)
Number of returns	22,669	18,725	3,484	461
Total net income ²	1,368,827	297,652	422,399	648,775
Net ordinary income ³	372,419	85,939	118,070	168,410
Total ordinary income.....	432,194	101,160	141,497	189,537
Deductions allocable to ordinary income.....	59,774	15,220	23,427	21,127
Net short-term capital gain income ⁴	-15,079	2,480	-10,921	-6,638
Total short-term capital gain income.....	-14,259	2,746	-10,618	-6,388
Deductions allocable to short-term capital gain income.....	819	266	303	250
Net long-term capital gain income ⁵	1,011,486	209,233	315,250	487,003
Total long-term capital gain income ⁶	1,020,680	211,869	319,028	489,782
Deductions allocable to long-term capital gain income.....	9,207	2,629	3,798	2,779

Ratio expressed as a percentage	Total	Size of book value of total assets		
		Under \$500,000 ¹	\$500,000 under \$3,000,000	\$3,000,000 or more
	(1)	(2)	(3)	(4)
Net ordinary income/total net income ^{2,3}	27.2	28.8	28.0	26.0
Net short-term capital gain income/total net income ^{2,4}	-1.1	0.8	-2.6	-1.0
Net long-term capital gain income/total net income ^{2,5}	73.9	70.3	74.6	75.0

¹ Includes 918 returns that report the end-of-year book value of total assets (line 37, column (b)) from the balance sheet as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² "Total net income" is calculated as the sum of "net ordinary income" (line 13), "net short-term capital gain" (line 16), and "net long-term capital gain" (line 19).

³ "Net ordinary income" is taken from Form 5227, line 13.

⁴ "Net short-term capital gain income (loss)" is taken from Form 5227, line 16.

⁵ "Net long-term capital gain income (loss)" is taken from Form 5227, line 19.

⁶ "Total long-term capital gain income (loss)" is taken from Form 5227, line 17c.

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Figure C

Accumulation and Distribution Information for Charitable Remainder Annuity Trusts, by Type of Income, 2000

[Money amounts are in thousands of dollars]

Item	Total	Net ordinary income	Type of income		Nontaxable income
			Capital gains		
			Net short-term	Net long-term	
	(1)	(2)	(3)	(4)	(5)
Current year distributions ¹	1,068,221	352,637	3,422	602,662	109,499
Total accumulations ²	6,560,986	649,785	90,978	5,462,605	357,618
Prior year undistributed income ³	5,134,339	277,366	106,057	4,451,140	299,777
Current year net income ⁴	1,426,685	372,420	-15,079	1,011,503	57,841
Undistributed at end of tax year ⁵	5,492,766	297,148	87,556	4,859,942	248,119

¹ "Current year distributions" is calculated as "total accumulations" (line 22) less "undistributed at end of tax year" (line 23).

² "Total accumulations" is taken from Form 5227, line 22.

³ "Prior year undistributed income" is taken from Form 5227, line 20.

⁴ "Current year net income" is taken from Form 5227, line 21.

⁵ "Undistributed at end of tax year" is taken from Form 5227, line 23.

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Figure D

Distributions by Charitable Remainder Annuity Trusts, by Source of Distribution Funds and Size of Book Value of Total Assets, 2000

[Money amounts are in thousands of dollars]

Source of funds	Size of book value of total assets							
	Total		Under \$500,000 ¹		\$500,000 under \$3,000,000		\$3,000,000 or more	
	Amount distributed	Percent of total	Amount distributed	Percent of total	Amount distributed	Percent of total	Amount distributed	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total current year distributions².....	1,068,221	100.0	362,586	100.0	262,160	100.0	443,475	100.0
Net ordinary income ³	352,637	33.0	85,897	23.7	111,433	42.5	155,308	35.0
Net short-term capital gain ⁴	3,422	0.3	19,104	5.2	-4,490	-1.7	-11,192	-2.5
Net long-term capital gain ⁵	602,662	56.4	240,875	66.4	139,263	53.1	222,523	50.2
Nontaxable income ⁶	109,499	10.2	16,710	4.6	15,953	6.1	76,836	17.3

¹ Includes 918 returns that report the end-of-year book value of total assets (line 37, column (b)) from the balance sheet as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² All distribution amounts are calculated as "total accumulations" (line 22) less "undistributed at end of tax year" (line 23), Form 5227.

³ All ordinary income information is taken from Form 5227, column (a) of the Accumulation Schedule.

⁴ All short-term capital gain information is taken from Form 5227, column (b) of the Accumulation Schedule.

⁵ All long-term capital gain information is taken from Form 5227, column (c) of the Accumulation Schedule.

⁶ All nontaxable income information is taken from Form 5227, column (d) of the Accumulation Schedule.

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

By far, the largest source of income and accumulations came from net long-term capital gains. Net long-term capital gains amounted to 73.9 percent of total net income. Annuity trusts reported gross long-term capital gains in the amount of \$1.0 billion and deductions against these gains of \$9.2 million. Generally, the larger the trust, the higher the percentage of income that was derived from long-term capital gains, with the percentage being 70.3 for small trusts, 74.6 percent for medium trusts, and 75.1 percent for the largest annuity trusts. Only 11.0 percent of net long-term capital gain accumulations were distributed, or \$602.7 million. Overall, 56.4 percent of distributions came from net long-term capital gain income, with the distributions of small trusts being the most heavily biased towards distributions from long-term capital gain income.

Nontaxable income and accumulation information is reported only on the accumulation schedule. Annuity trusts reported nontaxable income in the amount of \$57.8 million for 2000, with accumulations totaling \$357.6 million. Approximately 30.6 percent of annuity trusts' accumulations of nontaxable income were distributed, or \$109.5 million. Surprisingly, 17.3 percent of the distributions of large trusts came from nontaxable income, the highest percentage component of any size trust.

Charitable Remainder Unitrusts

For 2000, unitrusts reported total gross income of \$14.5 billion and total deductions of \$521.4 million, for \$14.0 billion in total net income (Figure E). As with other types of trusts, the relatively small percentage of large trusts (4.1 percent) had the majority of gross income (\$7.7 billion, or 53.4 percent). Approximately 15.6 percent of total net income, or \$2.2 billion were attributable to net ordinary income, of which income from dividends was the largest single component. Charitable remainder unitrusts accumulated \$3.2 billion in net ordinary income (Figure F), of which \$2.1 billion (64.4 percent) were distributed. The total amount of ordinary income distributed was \$2.1 billion. As with annuity trusts, midsized trusts had the highest percentage of their distributions from ordinary income, with 37.9 percent (Figure G).

Charitable remainder unitrusts reported a net short-term capital gain of \$78.5 million [8]. This gain was not across the board, as small unitrusts reported a \$13.4-million net short-term capital loss. Overall, unitrusts reported total accumulations of net short-term capital gains of approximately \$970.0 million and distributions of \$71.4 million, leaving undistributed net short-term capital gains of \$898.6 million. Distributions from short-term capital gains were only 1.2 percent of total distributions.

Split-Interest Trusts, 2000

Figure E

Selected Income and Deduction Information for Charitable Remainder Unitrusts, by Size of Book Value of Total Assets, 2000

[Money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets		
		Under \$500,000 ¹	\$500,000 under \$3,000,000	\$3,000,000 or more
		(1)	(2)	(3)
Number of returns	84,201	56,888	23,828	3,485
Total net income ²	13,971,314	1,738,531	4,715,147	7,517,635
Net ordinary income ³	2,181,214	389,702	808,360	983,152
Total ordinary income.....	2,595,793	461,854	976,349	1,157,590
Deductions allocable to ordinary income.....	414,604	72,177	167,988	174,438
Net short-term capital gain income ⁴	78,527	-13,373	47,446	44,455
Total short-term capital gain income.....	92,847	-12,089	52,477	52,459
Deductions allocable to short-term capital gain income.....	14,319	1,284	5,031	8,004
Net long-term capital gain income ⁵	11,711,573	1,362,203	3,859,342	6,490,028
Total long-term capital gain income.....	11,803,961	1,376,615	3,892,453	6,534,894
Deductions allocable to long-term capital gain income.....	92,522	14,493	33,162	44,866

Ratio expressed as a percentage	Total	Size of book value of total assets		
		Under \$500,000 ¹	\$500,000 under \$3,000,000	\$3,000,000 or more
		(1)	(2)	(3)
Net ordinary income/total net income ^{2,3}	15.6	22.4	17.1	13.1
Net short-term capital gain income/total net income ^{2,4}	0.6	-0.8	1.0	0.6
Net long-term capital gain income/total net income ^{2,5}	83.8	78.4	81.8	86.3

¹ Includes 1,387 returns that report the end-of-year book value of total assets (line 37, column (b)) from the balance sheet as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² "Total net income" is calculated as the sum of "net ordinary income" (line 13), "net short-term capital gain" (line 16), and "net long-term capital gain" (line 19).

³ "Net ordinary income" is taken from Form 5227, line 13.

⁴ "Net short-term capital gain income (loss)" is taken from Form 5227, line 16.

⁵ "Net long-term capital gain income (loss)" is taken from Form 5227, line 19.

⁶ "Total long-term capital gain income (loss)" is taken from Form 5227, line 17c.

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Figure F

Accumulation and Distribution Information for Charitable Remainder Unitrusts, by Type of Income, 2000

[Money amounts are in thousands of dollars]

Item	Total	Net ordinary income	Type of income		Nontaxable income
			Capital gains		
			Net short-term	Net long-term	
(1)	(2)	(3)	(4)	(5)	
Current year distributions ¹	6,117,692	2,051,460	71,386	3,880,580	114,266
Total accumulations ²	54,261,904	3,183,146	969,960	49,631,190	477,607
Prior year undistributed income ³	40,207,726	1,001,932	891,422	37,919,744	394,628
Current year net income ⁴	14,054,316	2,181,214	78,538	11,711,585	82,979
Undistributed at end of tax year ⁵	48,144,212	1,131,686	898,574	45,750,611	363,341

¹ "Current year distributions" is calculated as "total accumulations" (line 22) less "undistributed at end of tax year" (line 23).

² "Total accumulations" is taken from Form 5227, line 22.

³ "Prior year undistributed income" is taken from Form 5227, line 20.

⁴ "Current year net income" is taken from Form 5227, line 21.

⁵ "Undistributed at end of tax year" is taken from Form 5227, line 23.

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Split-Interest Trusts, 2000

Figure G

Distributions by Charitable Remainder Unitrusts, by Source of Distribution Funds and Size of Book Value of Total Assets, 2000

[Money amounts are in thousands of dollars]

Source of funds	Total		Size of trusts					
			Under \$500,000 ¹		\$500,000 under \$3,000,000		\$3,000,000 or more	
	Amount distributed	Percent of total	Amount distributed	Percent of total	Amount distributed	Percent of total	Amount distributed	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total current year distributions²	6,117,692	100.0	1,181,474	100.0	2,048,871	100.0	2,887,347	100.0
Net ordinary income ³	2,051,460	33.5	385,735	32.6	776,687	37.9	889,038	30.8
Net short-term capital gain ⁴	71,386	1.2	18,739	1.6	20,222	1.0	32,425	1.1
Net long-term capital gain ⁵	3,880,580	63.4	764,306	64.7	1,220,503	59.6	1,895,771	65.7
Nontaxable income	114,266	1.9	12,694	1.1	31,459	1.5	70,113	2.4

¹ Includes 1,387 returns that report the end-of-year book value of total assets (line 37, column (b)) from the balance sheet as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² All distribution amounts are calculated as "total accumulations" (line 22) less "undistributed at end of tax year" (line 23), Form 5227.

³ All ordinary income information is taken from Form 5227, column (a) of the Accumulation Schedule.

⁴ All short-term capital gain information is taken from Form 5227, column (b) of the Accumulation Schedule.

⁵ All long-term capital gain information is taken from Form 5227, column (c) of the Accumulation Schedule.

⁶ All nontaxable income information is taken from Form 5227, column (d) of the Accumulation Schedule.

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

As expected, net long-term capital gain was the largest component of total net income, from 78.4 percent of the total for small unitrusts, to 86.3 percent for large trusts. Accumulations of approximately \$49.6 billion in net long-term capital gains were reported, of which only 7.8 percent, or \$3.9 billion, were distributed. Distributions from net long-term capital gains comprised 63.4 percent of the total distributions of charitable remainder unitrusts; small trusts relied on distributions from net long-term capital gains for 64.7 percent of their total distributions, medium trusts for 59.6 percent, and large trusts for 65.7 percent of their total distributions.

According to the Accumulation Schedule, charitable remainder unitrusts reported current-year net nontaxable income earnings of \$83.0 million, which were included in the total accumulations of \$477.6 million of nontaxable income. Approximately 24.0 percent of this amount was distributed (\$114.3 million), leaving \$363.3 million of nontaxable income undistributed at the end of 2000, a 7.9-percent decrease from the prior year.

Balance Sheets

Charitable Remainder Annuity Trusts

Because the annual payment amount for annuity

trusts is fixed when the trust is created, there is no compelling need to calculate and report the fair market value of the trust's assets every year. Consequently, annuity trusts are not required to complete column C of the Balance Sheet of Form 5227, where the end-of-year fair market value of assets is recorded. Some annuity trusts opt to report these data; however, for the purposes of consistency, this study does not collect fair market value of assets data for annuity trusts. All data discussed in this section, therefore, pertain to book value amounts.

Annuity trusts reported asset holdings of \$10.5 billion for 2000, an 8.6-percent increase over 1999 (Figure H). Compared to the increase in the amount of assets held in 1999 over 1998, which was a 12.2-percent increase, it becomes obvious that the growth rate of annuity trusts slowed drastically. Of the amount of total assets, \$9.2 billion were investments, or 87.1 percent of the total. Small trusts held 20.8 percent of the aggregate total assets (\$2.2 billion), and 20.3 percent (\$1.9 billion) of aggregate total investments; mid-sized trusts were responsible for 35.9 percent of aggregate total assets (\$3.8 billion), and 35.9 percent (\$3.3 billion) of total investments. The holdings of the largest annuity trusts represent 43.3 percent of total assets (\$4.6 billion) and 43.7 percent of total investments (\$4.0 billion). The re-

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Figure H

Selected Balance Sheet Information for Charitable Remainder Annuity Trusts, by Size of Book Value of Total Assets, 1999 and 2000

[Money amounts are in thousands of dollars]

Item	Total			Size of book value of total assets		
	1999	2000	Percentage change	Under \$500,000 ¹	\$500,000 under \$3,000,000	\$3,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	21,630	22,669	4.8	18,725	3,484	461
Total assets (book value).....	9,706,993	10,547,242	8.6	2,192,922	3,786,006	4,568,314
Total investments ²	8,110,767	9,184,299	13.2	1,867,910	3,301,054	4,015,335
Securities ³	6,507,806	7,410,680	13.9	1,423,643	2,768,494	3,218,544
Total liabilities.....	477,418	497,323	4.2	35,826	42,034	419,463

Ratio expressed as a percentage	Total			Size of book value of total assets		
	1999	2000	Percentage point change	Under \$500,000 ¹	\$500,000 under \$3,000,000	\$3,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)
Total investments/total assets ²	83.6	87.1	3.5	85.2	87.2	87.9
Securities/total investments ^{2,3}	80.2	80.7	0.5	76.2	83.9	80.2
Total liabilities/total assets.....	4.9	4.7	-0.2	1.6	1.1	9.2

¹ Includes 918 returns that report the end-of-year book value of total assets (line 37, column (b)) from the balance sheet as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² Represents "government obligations" (line 32a), "corporate stock" (line 32b), "corporate bonds" (line 32c), "investments--land, buildings, and equipment" (line 33), and "other investments" (line 34) of Form 5227.

³ Represents "government obligations" (line 32a), "corporate stock" (line 32b), and "corporate bonds" (line 32c) of Form 5227.

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

ported amount of total liabilities rose 4.2 percent overall, from \$477.4 million in 1999 to \$497.3 million in 2000.

Charitable Remainder Unitrusts

Because charitable remainder unitrusts determine the amount of the annual payment to the noncharitable beneficiary using the fair market value of total assets, as valued each year, they are required to report both the book and fair market values of their assets annually. Charitable remainder unitrusts reported the book value of total assets as \$71.0 billion for 2000 (Figure I). This amount represents a 5.7-percent increase in assets over 1999. Approximately \$59.3 billion of the total were investments, of which 74.0 percent were securities. Interestingly, when measured in book value amounts, large trusts had the greatest percentage of their assets in investments (85.1 percent), but the lowest percentage of their investments in securities (67.7 percent). From 1999 to 2000, the amount of total liabilities decreased by 10.8 percent, from \$1.1 billion to \$987.1 million.

Measured in fair market value of assets, unitrusts reported \$88.5 billion of total assets, an increase of 9.0 percent over the amount of total assets reported for 1999. When comparing the composition of assets as measured in fair market value versus book value, investments made up a slightly higher percentage of total assets (83.5 percent to 85.4 percent). Securities, likewise, made up a slightly higher percentage of total investments (74.0 percent to 76.4 percent). Large trusts had the highest percentage of their assets in investments, at 87.0 percent. However, large trusts had the smallest percentage of investments held in securities (71.1 percent), compared with midsized trusts which had the highest percentage (81.4 percent). The reported fair market value of liabilities increased 13.7 percent from 1999, to \$1.2 billion.

Charitable Lead Trusts

Background

Charitable lead trusts are, in some ways, the reverse of charitable remainder trusts. In a lead trust, the

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Figure I

Selected Balance Sheet Information for Charitable Remainder Unitrusts, by Size of Book Value of Total Assets, 2000

[Money amounts are in thousands of dollars]

Item	Total		Size of book value of total assets					
			Under \$500,000 ¹		\$500,000 under \$3,000,000		\$3,000,000 or more	
	Book	FMV	Book	FMV	Book	FMV	Book	FMV
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total assets.....	71,008,793	88,462,299	10,523,168	16,289,316	26,076,131	31,651,855	34,409,494	40,521,128
Total investments ²	59,305,087	75,560,062	8,473,612	13,599,283	21,562,895	26,694,087	29,268,580	35,266,691
Securities ³	43,871,613	57,752,467	6,488,924	10,949,547	17,575,389	21,723,295	19,807,300	25,079,626
Total liabilities.....	987,135	1,171,861	96,618	113,734	330,225	274,163	560,291	783,964

Ratio expressed as a percentage	Total		Size of book value of total assets					
			Under \$500,000 ¹		\$500,000 under \$3,000,000		\$3,000,000 or more	
	Book	FMV	Book	FMV	Book	FMV	Book	FMV
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total investments/total assets ²	83.5	85.4	80.2	83.4	82.7	84.3	85.1	87.0
Securities/total investments ^{2,3}	74.0	76.4	76.6	80.5	81.5	81.4	67.7	71.1
Total liabilities/total assets.....	1.4	1.3	0.9	0.6	1.3	0.9	1.6	1.9

¹ Includes 1,387 returns that report the end-of-year book value of total assets (line 37, column (b)) from the balance sheet as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² Represents "government obligations" (line 32a), "corporate stock" (line 32b), "corporate bonds" (line 32c), "investments--land, buildings, equipment" (line 33), and "other investments" (line 34) of Form 5227.

³ Represents "government obligations" (line 32a), "corporate stock" (line 32b), and "corporate bonds" (line 32c) of Form 5227.

NOTES: "FMV" is the abbreviation for fair market value. Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

donor transfers assets to the trust, which then pays a stream of income to a designated charitable recipient. Every year, the charity receives income based on the earnings of the assets; when the trust is terminated, the assets are distributed to a designated non-charitable beneficiary. The payments to charity can be structured as an annuity amount, in which case the payment is determined as a percentage of the fair market value of the assets initially placed in trust, or as a unitrust amount, where the payment is calculated as a fixed percentage of the fair market value of the assets as they are valued each year.

There are some crucial differences between charitable remainder trusts and lead trusts. Lead trusts are not tax-exempt entities, meaning that they must pay both income and capital gain taxes as appropriate. Lead trusts are, however, eligible to receive an income tax deduction for the payments made to the charity over the life of the trust. Also, unlike charitable remainder trusts, lead trusts are not limited by the minimum 5.0-percent or maximum 50.0-percent payout requirements. Lastly, while the payout term of lead trusts can be for the life of the

donor or a specified number of years, just as with charitable remainder trusts, lead trusts can continue for a term greater than 20 years.

There are two main types of charitable lead trusts--grantor trusts and nongrantor trusts. The grantor trust is the less common of the two types. Grantor lead trusts name the donor (grantor) as the remainder beneficiary. These trusts allow the donor to take an immediate tax deduction, equal to the present value of the total estimated amount to be distributed to charity, for the year the trust was created. The deduction can only be taken for up to 30.0 percent of the grantor's adjusted gross income (AGI); an excess deduction amount can be carried forward and reported on future returns. However, the grantor must also claim any income made by the investments (and therefore pay taxes on it), even though the income is actually paid to the charity. This is not the case if all of the trust's assets are invested in nontaxable securities. Grantor lead trusts are most useful for donors who need a sizable tax deduction for a given year, and who can afford to pay taxes on "phantom income" during the remaining

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years of the trust. This vehicle is best used when the donor anticipates being in a much higher tax bracket for the year in which the trust is created than in subsequent years.

The other type of charitable lead trust is the nongrantor lead trust, in which the remainder beneficiary is not the donor to the trust. Most commonly, the children or grandchildren of the grantor are named as the remainder beneficiaries. When a donor establishes a nongrantor lead trust, he or she is not entitled to take an income tax deduction for the assets placed in the trust. Nor, however, does the donor report and pay taxes on the income paid to the charity. The tax benefits of a nongrantor lead trust are in the reduction of gift and estate taxes. Donors are liable for gift taxes at the time the trust is established, for the estimated amount of the present value of the eventual gift. The value of the gift is estimated by taking into account such factors as the value of the assets placed in trust, the duration of the trust term, the amount of the payments to charity, and the Federal rate used to estimate the trust's growth [9].

If structured and managed properly, the gift tax liability can be reduced to zero. Furthermore, all assets placed in a lead trust are removed from the donor's estate, thereby reducing the estate tax liability of the donor.

There were 4,571 charitable lead trusts that filed Form 5227 for financial activity during 2000. The majority, 50.1 percent, or 2,288 of these trusts are medium-sized, which is to say, they reported book value end-of-year total assets of between \$500,000 and \$3.0 million. There were 1,655 small lead trusts (36.2 percent of the total) and 629 large lead trusts (the remaining 13.8 percent).

Charitable lead trusts are required to report only book value balance sheet information and distribution information in Part VII, the Questionnaire for Charitable Lead Trusts. They are not required to report income and accumulation information.

Balance Sheets

Charitable lead trusts reported total assets of \$10.8 billion for 2000 (Figure J). Of that amount, total

Figure J

Selected Balance Sheet Information for Charitable Lead Trusts, by Size of Book Value of Total Assets, 2000

[Money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets		
		Under \$500,000 ¹	\$500,000 under \$3,000,000	\$3,000,000 or more
		(1)	(2)	(3)
Number of returns.....	4,571	1,655	2,288	629
Total assets (book value).....	10,810,272	307,967	2,784,529	7,717,775
Total investments ²	9,274,456	242,123	2,305,847	6,726,486
Securities ³	6,852,940	169,975	1,886,268	4,796,696
Total liabilities.....	674,244	124,479	58,484	491,281
Ratio expressed as a percentage	Total	Size of book value of total assets		
		Under \$500,000 ¹	\$500,000 under \$3,000,000	\$3,000,000 or more
		(1)	(2)	(3)
Total investments/total assets ²	85.8	78.6	82.8	87.2
Securities/total investments ^{2,3}	73.9	70.2	81.8	71.3
Total liabilities/total assets.....	6.2	40.4	2.1	6.4

¹ Includes 56 returns that report the end-of-year book value of total assets (line 37, column (b)) from the balance sheet as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² Represents "government obligations" (line 32a), "corporate stock" (line 32b), "corporate bonds" (line 32c), "investments—land, buildings, equipment" (line 33), and "other investments" (line 34) of Form 5227.

³ Represents "government obligations" (line 32a), "corporate stock" (line 32b), and "corporate bonds" (line 32c) of Form 5227.

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

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investments were \$9.3 billion, or 85.8 percent of the total. As expected, the limited number of large trusts held the majority of the assets (\$7.7 billion), or 71.4 percent of the total. Midsized lead trusts had the highest proportion of their assets invested in securities, at \$1.9 billion, or 81.8 percent of their investments. By comparison, small and large lead trusts held 70.2 percent and 71.3 percent of their investments in securities, respectively.

Charitable lead trusts reported, as an aggregate, a total of \$674.2 million in total liabilities, which amounted to 6.2 percent of total assets. It is extremely interesting to note that the ratio of liabilities to assets for the smallest of lead trusts was 40.4 percent. This percentage is, obviously, much greater than that for midsized trusts (2.1 percent) and large trusts (6.4 percent).

Distributions

Lead trusts distributed a total of \$752.0 million in 2000 (Figure K) [10]. Almost all of these distributions (\$751.8 million, or 99.9 percent) were made to charitable organizations. Only \$0.2 million were distributed to private beneficiaries, and this amount came solely from the small trusts; neither medium nor large trusts distributed any amount to private beneficiaries [11]. Small trusts were responsible for 13.8 percent of all distributions to charitable organizations; midsized trusts for 24.3 percent, and large trusts for 61.9 percent.

Pooled Income Funds

Background

Pooled income funds are investment funds which are created and maintained by a charitable organization, much in the manner of a mutual fund. The assets of the fund comprise the assets contributed by various donors, who then receive lifetime income payments. All contributed assets are commingled and invested as a pool, with the annual payment to each donor calculated as a pro rata share of the investment income. When a donor passes away, a prorated portion of the basis of the fund is removed and donated to the charity itself.

Donors to a pooled income fund are entitled to a tax deduction for the year in which the contribution was made. The deduction is calculated, based on the estimated remainder value of the trust, using variables such as the value of the donated assets, the age and number of noncharitable beneficiaries, the type and earnings of the fund, and the published Internal Revenue Service discount rate. Donors pay no capital gain taxes on appreciated assets that are donated to the fund, allowing the donor to benefit from the assets (through investment and the income stream) without paying the taxes to do so. The tax deduction for the year of the donation can be up to 50.0 percent of adjusted gross income if a cash gift was made, or up to 30.0 percent of adjusted gross income if a gift

Figure K

Distributions by Charitable Lead Trusts, by Size of Book Value of Total Assets, 2000

[Money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets		
		Under \$500,000 ¹	\$500,000 under \$3,000,000	\$3,000,000 or more
	(1)	(2)	(3)	(4)
Total distributions²	751,973	103,899	182,592	465,482
Required payments for charitable purposes	751,750	103,675	182,592	465,482
Required payment to charitable beneficiaries.....	747,094	103,675	181,032	462,387
Required excess income payments.....	4,655	--	1,560	3,095
Required payments to private beneficiaries	224	224	--	--

¹ Includes 56 returns that report the end-of-year book value of total assets (line 37, column (b)) from the balance sheet as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² All distribution information is taken from Form 5227, Part VII, Questionnaire for Charitable Lead Trusts.

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

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of appreciated assets was made. Any excess deduction amount, from either category, can be carried forward for 5 additional years.

Only 1,634 pooled income funds filed Form 5227 for 2000, or 1.4 percent of the total number of filers. The majority of filers (1,217, or 74.5 percent of the total) were for small funds; 19.6 percent (321 funds) were medium-sized; and only 5.9 percent (97 funds) were large funds.

As with charitable lead trusts, pooled income funds report balance sheet information and distribution information in Part VII-B, Questionnaire for Pooled Income Funds only. The distributions made to individual noncharitable beneficiaries are considered as ordinary income to those beneficiaries and reported as such. Pooled income funds are not required to report either income or accumulation information.

Balance Sheets

Pooled income funds held approximately \$1.6 billion in end-of-year book value of total assets in 2000 (Figure L). Of that amount, approximately \$1.4 billion were classified as investments. Small pooled

income funds held 8.3 percent of total assets (\$132.4 million), and approximately 7.9 percent of investments (\$114.4 million). Medium-sized funds held approximately \$393.5 million in assets, of which \$367.5 million were investments, or 24.8 percent and 25.4 percent of the total assets and total investments, respectively, held by all funds. Large pooled income funds were responsible for the other \$1.1 billion, or 66.8 percent of total assets, and \$964.3 million, or 66.7 percent of total investments.

Pooled income funds reported total liabilities in the amount of \$20.9 million (book value) for 2000. Small funds accounted for \$0.3 million, medium-sized funds for \$4.5 million, and large funds for \$16.1 million. Small funds had the lowest ratio of liabilities to assets, at 0.2 percent.

Contributions and Distributions

During 2000, pooled income funds received \$125.2 million in contributions and distributed over \$118.0 million, of which \$41.6 million were distributed to charitable beneficiaries (Figure M) [12]. The largest funds, those with book value end-of-year total assets

Figure L

Selected Balance Sheet Information for Pooled Income Funds, by Size of Book Value of Total Assets, 2000

[Money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets		
		Under \$500,000 ¹	\$500,000 under \$3,000,000	\$3,000,000 or more
		(2)	(3)	(4)
Number of returns.....	1,634	1,217	321	97
Total assets (book value).....	1,585,832	132,392	393,460	1,059,980
Total investments ²	1,446,145	114,350	367,483	964,312
Securities ³	1,064,994	69,494	279,050	716,450
Total liabilities.....	20,887	322	4,514	16,051
Ratio expressed as a percentage	Total	Size of book value of total assets		
		Under \$500,000 ¹	\$500,000 under \$3,000,000	\$3,000,000 or more
		(2)	(3)	(4)
Total investments/total assets ²	91.2	86.4	93.3	91.0
Securities/total investments ^{2,3}	73.6	60.8	75.9	74.3
Total liabilities/total assets.....	1.3	0.2	1.1	1.5

¹ Includes 68 returns that report the end-of-year book value of total assets (line 37, column (b)) from the balance sheet as zero. Often, this amount is reported as zero for those funds filing a final return. In these cases, the funds report having assets at the beginning of the year, but nothing at the end of the year.

² Represents "government obligations" (line 32a), "corporate stock" (line 32b), "corporate bonds" (line 32c), "investments--land, buildings, and equipment" (line 33), and "other investments" (line 34) of Form 5227.

³ Represents "government obligations" (line 32a), "corporate stock" (line 32b), and "corporate bonds" (line 32c) of Form 5227.

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

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Figure M

Distributions by Pooled Income Funds, by Size of Book Value of Total Assets, 2000

[Money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets		
		Under \$500,000 ¹	\$500,000 under \$3,000,000	\$3,000,000 or more
		(1)	(2)	(3)
Total distributions for charitable purposes^{2,3}	41,627	2,790	15,036	23,801
Total required payments for charitable purposes ⁴	44,397	2,790	16,257	25,350
Undistributed required payments for charitable purposes ⁵	2,769	--	1,220	1,549
Distributions to private beneficiaries⁶	76,383	7,644	20,191	48,547
Contributions received during 2000	125,233	3,733	13,360	108,139

Ratio expressed as a percentage	Total	Size of book value of total assets		
		Under \$500,000 ¹	\$500,000 under \$3,000,000	\$3,000,000 or more
		(1)	(2)	(3)
Distributions for charitable purposes/total distributions	35.3	26.7	42.7	32.9
Distributions to private beneficiaries/total distributions	64.7	73.3	57.3	67.1
Distributions for charitable purposes/distributions to private beneficiaries	54.5	36.5	74.5	49.0

¹ Includes 68 returns that report the end-of-year book value of total assets (line 37, column (b)) from the balance sheet as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year but nothing at the end of the year.

² All distribution information is taken from Form 5227, Part VII-b, Questionnaire for Pooled Income Funds.

³ "Total distributions for charitable purposes" is calculated as "total required payments for charitable purposes" less "undistributed required payments for charitable purposes."

⁴ "Total required payments for charitable purposes" is calculated as the sum of the "amount required to be distributed for 2000 to satisfy the remainder interest" (line 2) and "amount of income required to be paid to the charitable remainder beneficiary for 2000" (line 5).

⁵ "Undistributed required payments for charitable purposes" is taken from line 3.

⁶ "Distributions to private beneficiaries" is taken from line 4.

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

of \$3.0 million or more, which made up less than 6.0 percent of the total number of funds, received 86.6 percent of the contributions received (\$108.1 million). Large trusts were responsible for 61.3 percent of the total distributions, or \$72.3 million of the \$118.0 million total. Distributions to charitable organizations comprised 35.3 percent of the total distributions, although this percentage was higher for medium-sized trusts, with 42.7 percent of their total distributions going to charity. Small funds had the highest percentage of distributions to private beneficiaries, at 73.3 percent of their total distributions.

Data Sources and Limitations

A sample of Forms 5227, *Split-Interest Trust Information Return*, filed for Reporting Year 2000, provided all of the statistics presented in this article. All charitable remainder trusts (annuity and unitrusts) described in Internal Revenue Code section 664, pooled income funds described in Code section 642(c)(5), and charitable lead trusts which had financial activity

during Calendar Year 2000 were required to file the form. Partial year returns, for initial or final reporting periods, are included in the sample. All returns included in the sample were computer-designated at the IRS Ogden Submission Processing Center after posting to the IRS Master File.

For Study Year 2000, a sample of 13,189 returns was drawn from an estimated population of 113,075 trusts which filed Form 5227 to report financial activity. The sample was stratified, based on type of organization (lead trusts, annuity trust, unitrust, or pooled income fund) and the reported amount of book value end-of-year total assets. For each type, there was a stratum for trusts with less than \$1.0 million in assets, from \$1.0 million to less than \$10.0 million, and for those with \$10.0 million in assets or more. There were an estimated 4,571 lead trusts, from which a sample of 655 was drawn. Lead trusts were sampled at rates of 3.7 percent for the smallest trusts to 100.0 percent for the largest. There were 22,669 annuity and 84,201 unitrusts, with sample sizes for

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each of 2,352 and 9,992 respectively. Annuity trusts were sampled at rates of 6.8 percent to 100.0 percent; unitrust sample rates ranged from 5.9 percent to 100.0 percent. Additionally, there were 1,634 pooled income funds of which 190 were included in the sample. Pooled income funds had sample rates from 4.7 percent to 100.0 percent. Finally, there was a stratum for trusts having end-of-year book value of total assets less than \$10.0 million but with end-of-year fair market value of total assets in excess of \$50.0 million. All trusts in this category, regardless of type, were sampled at 100 percent. All sample sizes exclude returns that were selected for the sample but were later rejected. Returns could be rejected if they were not one of the four types being studied, if no money amounts were reported, or if there were massive and inexplicable reporting errors. The magnitude of sampling error for selected items, measured by coefficients of variation, is shown in Figure N.

Due to the unreliability of data from Part III (Current Distributions Schedule), distribution amounts

presented are derived from Part II (Accumulation Schedule). Furthermore, data reported in Parts V-A (Charitable Remainder Annuity Trust Information) and V-B (Charitable Remainder Unitrust Information) have not been presented due to the unreliability of data in these sections.

The samples were designed to provide reliable estimates of financial activity. All data were collected from original returns as they were filed. All edited returns were subjected to comprehensive testing and data verification procedures to ensure the highest quality of data possible. Changes made to the return, either by the taxpayer (by filing an amended return) or by administrative processing, were generally not incorporated. A complete discussion of the reliability of estimates based on samples, methods for evaluating the magnitude for both sampling and nonsampling error, and the precision of sample estimates can be found in the Appendix in this issue of the *SOI Bulletin*.

Figure N

Coefficients of Variation for Selected Items, by Type of Trust, 2000

Item	Charitable remainder trusts		Charitable lead trusts	Pooled income funds
	Annuity trusts	Unitrusts		
	(1)	(2)	(3)	(4)
Net ordinary income ¹	3.40	1.05	N/A	N/A
Net short-term capital gain income ²	56.05	40.98	N/A	N/A
Net long-term capital gain income ³	4.26	1.59	N/A	N/A
End-of-year total assets (book value) ⁴	1.37	0.54	1.54	3.42
End-of-year total assets (FMV) ⁵	N/A	1.19	N/A	N/A
End-of-year total liabilities (book value) ⁶	3.03	3.64	18.24	16.31
End-of-year total liabilities (FMV) ⁷	N/A	3.5	N/A	N/A
Required payment to private beneficiaries ⁸	N/A	N/A	98.19	3.76
Required payment to charitable beneficiaries ⁹	N/A	N/A	4.43	N/A

N/A--Not applicable.

¹ This value is based on the amount on Form 5227, line 13.

² This value is based on the amount on Form 5227, line 16.

³ This value is based on the amount on Form 5227, line 19.

⁴ This value is based on the amount on Form 5227, line 37, column (b).

⁵ This value is based on the amount on Form 5227, line 37, column (c).

⁶ This value is based on the amount on Form 5227, line 43, column (b).

⁷ This value is based on the amount on Form 5227, line 43, column (c).

⁸ In the case of charitable lead trusts, this value based on the amount on Form 5227, part VII-A, line 4. In the case of pooled income funds, this value is based on the amount on Form 5227, part VII-B, line 4.

⁹ This value is based on the amount on Form 5227, part VII-A, line 3.

NOTE: "FMV" is the abbreviation for fair market value.

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Explanation of Selected Terms

Annuity trust.--An annuity trust is a trust in which the payments for the duration of the trust, either to a private or charitable beneficiary, are of a fixed amount. In the context of this article, an annuity trust can be either the charitable remainder trust or charitable lead trust variety. The payment amount is determined by multiplying a specified percentage by the fair market value of the assets initially placed in the trust.

Beneficiary.--A beneficiary refers to the person, persons, or organization that receive payments or assets from a trust. *Recipient* is used interchangeably with beneficiary. Beneficiaries can be either charitable or non-charitable (private), and can be either an income beneficiary or a remainder beneficiary.

Book value (BV).--Book value is generally the cost basis of an asset, or the price at which an asset is acquired. All trusts must report the beginning- and end-of-year book value of their assets on Part IV, Balance Sheet, Columns A and B, of Form 5227. All book value amounts referred to in this article are end-of-year book value amounts.

Charitable grantor lead trusts.--Charitable grantor lead trusts name the grantor as the remainder beneficiary. In establishing a grantor lead trust, the donor is entitled to an income tax deduction for the year in which the trust was created, but he or she must also pay taxes on the income generated by the trust's assets which is paid to the charity.

Charitable lead trusts (CLT's).--Charitable lead trusts are split-interest trusts in which a designated charitable organization receives an income stream from the assets in trust; one or more private beneficiaries receive the remainder interest of the trust. Charitable lead trusts can be classified as either grantor or nongrantor lead trusts, and payments can be made on an annuity basis or a unitrust basis.

Charitable nongrantor lead trusts.--Charitable nongrantor lead trusts name as the remainder beneficiary a recipient other than the donor. Usually, the remainder beneficiary is a child or grandchild of the grantor. Establishing a nongrantor lead trust does not allow the grantor to take a tax deduction; rather, the primary benefits are reductions to estate and/or gift tax liabilities.

Charitable remainder annuity trust (CRAT).--A charitable remainder annuity trust is a charitable remainder trust in which the income payments to the private beneficiary are fixed. The payment amount is

calculated by multiplying the designated percentage by the fair market value of the assets initially placed in the trust.

Charitable remainder trusts (CRT's).--Charitable remainder trusts are split-interest trusts in which a private, or noncharitable, beneficiary receives a stream of income for the duration of the trust, and a designated charity receives the remainder interest of the trust. Charitable remainder trusts can be either annuity trusts or unitrusts, depending on the method used to calculate the payment amounts. Unitrusts can be of the net income or net income with makeup variety.

Charitable remainder unitrust (CRUT).--Charitable remainder unitrust is a charitable remainder trust in which the income payments to the private beneficiary fluctuate with the annual value of the assets in the trust. The payment amount is calculated by multiplying the designated percentage by the fair market value of the assets as they are valued each year. Unitrusts can have net income or net income with makeup provisions.

Charity or charitable organization.--Charity or charitable organization refers to tax-exempt organizations with purposes that are charitable, educational, scientific, literary, or religious in nature, or otherwise qualify as 501(c)(3) organizations.

Donor.--Donor, also referred to as a grantor or contributor, is the individual who transfers personal assets into the trust or fund.

Fair market value (FMV).--Fair market value is defined, for the purposes of this article, as the current market price of the asset (or liability). The fair market value of assets and liabilities is reported by charitable remainder unitrusts in Part IV, Balance Sheet, Column C, of Form 5227.

Income beneficiary.--Income beneficiary of a split-interest trust is the recipient of the stream of payments made over the duration of the trust. The income beneficiary of charitable remainder trusts and pooled income funds is the private (non-charitable) beneficiary; in charitable lead trusts, the income beneficiary is the designated charitable organization.

Income interest.--Income interest refers to the payments made to beneficiaries during the life of the trust. Income interest is paid to the income beneficiary.

Investments.--Investments refers to the sum of "government obligations" (line 32a); "corporate stock" (line 32b); "corporate bonds" (32c); "land,

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buildings, and equipment that is not held for charitable purposes” (line 33); and “other investments” (line 34) reported on Form 5227.

Net income charitable remainder unitrusts (NI-CRUT’s).--Net income charitable remainder unitrusts are charitable remainder unitrusts that allow the annual payment to the private beneficiary to be the lesser of either the unitrust amount or the trust’s net income.

Net income with makeup charitable remainder unitrusts (NIM-CRUT’s).--Net income with makeup charitable remainder unitrusts are charitable remainder unitrusts that allow the annual payment to the private beneficiary to be the lesser of either the unitrust amount or the trust’s net income. Deficiencies in the distributions, which occur when the net income is less than the unitrust payment amount, are then made up in subsequent years when the net income of the trust is greater than the unitrust amount.

Pooled income fund.--A pooled income fund is a fund established and maintained by a charity to invest and manage assets donated by multiple donors. Income from the assets is distributed annually on a prorated basis to the named beneficiaries. On the termination of an income interest (due to the death of one of the beneficiaries), a prorated part of the basis of the fund is removed and given to the charity.

Remainder beneficiary.--Remainder beneficiary of a split-interest trust is the recipient of the trust’s assets at the conclusion of the trust. In the case of charitable remainder trusts, the remainder beneficiary is the selected charity; in charitable lead trusts, the remainder beneficiary is the designated private beneficiary.

Remainder interest.--Remainder interest of a trust is the assets remaining at the conclusion of the trust, after all liabilities have been settled and prior payments to beneficiaries made. This interest is then distributed to the remainder beneficiary.

Securities.--Securities refers to the sum of “government obligations: (line 32a); “corporate stock” (line 32b); and “corporate bonds” (line 32c) reported on Form 5227.

Split-interest trust.--A split-interest trust according to the 2000 Instructions for Form 5227, is a trust that “is not exempt from tax under Internal Revenue Code section 501(a); has some unexpired interests that are devoted to purposes other than religious, charitable, or similar purposes described in

Code section 170(c)(2)(B); and has amounts transferred in trust after May 26, 1969, for which a deduction was allowed under one of the Code sections listed in section 4947(a)(2).”

Trust.--A trust is a legal arrangement between its creator (donor or grantor), the manager of the trust (trustee), and the beneficiary or beneficiaries of the trust. Trusts are legal entities in their own right, and can be responsible for any tax liabilities separate from the liabilities of the grantor. The conditions and provisions of a trust are defined in the trust document.

Unitrust.--A unitrust is a trust in which the payments, either to a private or charitable beneficiary, vary with the annual fair market value of the total assets of the trust in a given year. In the context of this article, a unitrust can be either of the charitable remainder trust or charitable lead trust variety. The payment amount is determined by multiplying a specified percentage by the fair market value of the assets of the trust as they are valued annually.

Notes and References

- [1] For detailed information on charitable remainder annuity trusts and charitable remainder unitrusts only, see Belvedere, Melissa, “Charitable Remainder Trusts, 1998,” *Statistics of Income Bulletin*, Winter 2000-2001, Volume 20, Number 3; or Belvedere, Melissa, “Charitable Remainder Trusts, 1999,” *Statistics of Income Bulletin*, Summer 2002, Volume 22, Number 1.
- [2] Data for all trusts are presented in terms of the size of book value of end-of-year total assets. When discussing the size of trust, the book value of assets used is the value reported on Line 37, Column B of Part IV, page 2 (balance sheet) of Form 5227. All types of trusts are required to report this amount. This is a departure from previous study years (1998 and 1999) where the size of the trusts was based on the fair market value of assets, as reported in Box C, at the top of page 1 of Form 5227. Form 5227, and its instructions, can be downloaded from the IRS webpage, <http://www.irs.gov/formspubs/lists/0,,id=97817,00.html>.
- [3] Figures and tables present data from trusts with book value of end-of-year total assets less than \$500,000, which include trusts with zero or unreported book value assets. These trusts are

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possibly final year filers, which often report income and the values of their assets at the beginning of the year only.

- [4] For an in-depth discussion of the many variations of charitable remainder trusts, see “Charitable Remainder Trust Strategies...Including the Full Monty CRUT,” text from a presentation given by Conrad Teitell at the Washington Non-Profit Legal and Tax Conference in the Spring of 2000. (Washington Non-Profit Legal and Tax Conference, Conference Proceedings Manual, Organization Management, Inc., Fairfax, VA, March 2000.)
- [5] Distribution amounts of charitable remainder trusts, both annuity trusts and unitrusts, are calculated using Part II, Accumulation Schedule. The distribution amount is calculated as Line 22 (Total accumulations) less Line 23 (Undistributed at end of tax year). Total distributions for charitable remainder trusts are the sum of the differences for columns A through D of the accumulation schedule.
- [6] If calculated using data shown in Figures B and F, the amount of net income for the current year (from any source--ordinary income, short-term capital gains, or long-term capital gains) may not match the amounts from Figures C and G, respectively, because the information is taken from a different section of the return. All data reported in Figures B and F come from Part I, Ordinary Income Information, of Form 5227; data in Figures C and G are taken from Part II, Accumulation Schedule of Form 5227. The discrepancies are the result of taxpayer reporting error.
- [7] Data for net short-term capital gain income for annuity trusts should be used with caution because of the large coefficient of variation (CV) associated with them. For CV's on other data items, see Figure N.
- [8] Data for net short-term capital gains income for unitrusts should be used with caution because of the large coefficient of variation (CV) associated with them. For CV's on other data items, see Figure N.
- [9] The applicable Federal rate is the assumed rate of return required by the Internal Revenue Service to be used for determining the actuarial value of, among other things, the future value of assets in a trust.
- [10] Distributions made by charitable lead trusts are taken from Part VII-A, Questionnaire for Charitable Lead Trusts. The distribution amount to private beneficiaries is taken from Line 4 (Amount of annuity or unitrust payments required to be paid to private beneficiaries). The distribution amount to charitable beneficiaries is calculated as the sum of Line 2 (Amount of excess income required to be paid for charitable purposes) plus Line 3 (Amount of annuity or unitrust payment required to be paid to charitable beneficiaries) reported on Form 5227.
- [11] The amount of the required payment to private beneficiaries by lead trusts should be used with caution because of the large coefficient of variation (CV) associated with it. For CV's on other data items, see Figure N.
- [12] Distributions made by pooled income funds are taken from Part VII-B, Questionnaire for Pooled Income Funds of Form 5227. The amount distributed to private beneficiaries is taken from Line 4 (Amount of income required to be paid to private beneficiaries). The amount distributed to charitable beneficiaries is calculated as Line 2 (Amount required to be distributed for 2001 to satisfy the remainder interest) plus Line 5 (Amount of income required to be paid to the charitable remainder beneficiary) less Line 3 (Amounts that were required to be distributed to the remainder beneficiary that remain undistributed).

SOURCE: IRS, Statistics of Income Bulletin, Spring 2003, Publication 1136 (Revised 6-03).

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Table 1.--Charitable Remainder Annuity Trusts: Selected Income Information, by Size of Book Value of Total Assets, 2000

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets					
		Zero or not reported ¹	\$1 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$3,000,000	\$3,000,000 under \$10,000,000	\$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns	22,669	918	17,808	1,943	1,541	371	90
Total net income ²	1,368,827	27,756	269,897	143,516	278,883	273,037	375,738
Net ordinary income ³	372,419	7,282	78,657	40,575	77,495	76,685	91,725
Total ordinary income ⁴	432,194	9,905	91,255	49,442	92,055	85,561	103,976
Interest income.....	207,370	5,803	40,511	23,707	42,657	39,643	55,049
Dividends and business income (loss).....	203,122	3,999	44,091	24,155	39,441	44,367	47,069
Other income ⁵	21,702	*103	6,653	*1,579	9,958	1,551	1,858
Total deductions ⁶	59,774	2,622	12,598	8,867	14,560	8,876	12,251
Interest.....	707	--	*68	*243	210	*60	125
Taxes.....	1,106	*38	308	*75	232	226	227
Other deductions.....	57,980	2,584	12,211	8,549	14,147	8,590	11,899
Net short-term capital gain (loss) ⁷	-15,079	1,411	1,069	-8,295	-2,625	634	-7,272
Gross gain (loss).....	-14,259	1,427	1,319	-8,113	-2,504	802	-7,189
Allocable deductions.....	819	*16	250	182	121	*168	83
Net long-term capital gain (loss) ⁸	1,011,486	19,063	190,170	111,237	204,013	195,718	291,285
Gross gain (loss).....	1,020,680	19,244	192,625	112,686	206,342	197,580	292,202
Allocable deductions.....	9,207	181	2,448	1,449	2,349	1,862	917

* Estimate should be used with caution because of the small number of sample returns on which it is based.

¹ Includes returns that report the end-of-year book value of total assets (line 37, column (b)) from the balance sheet as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² Calculated as the sum of "net ordinary income" (line 13), "net short-term capital gain (loss)" (line 16), and "net long-term capital gain (loss)" (line 19).

³ Taken from "ordinary income less deductions" on line 13 of Form 5227. This amount may not equal "total ordinary income" (line 8) less "total deductions allocable to ordinary income" (line 12) due to taxpayer reporting discrepancies.

⁴ Taken from Form 5227, Line 8.

⁵ "Other income" is the sum of "rents, royalties, partnerships, other estates and trusts" (line 4), "farm income or loss" (line 5), "ordinary gain or loss" (line 6), and "other income" (line 7).

⁶ Taken from Form 5227, Line 12.

⁷ Taken from Form 5227, line 16.

⁸ Taken from Form 5227, line 19.

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Split-Interest Trusts, 2000

Table 2.--Charitable Remainder Annuity Trusts: Accumulation and Distribution Information, by Size of Book Value of Total Assets, 2000

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets					
		Zero or not reported ¹	\$1 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$3,000,000	\$3,000,000 under \$10,000,000	\$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns	22,669	918	17,808	1,943	1,541	371	90
Current year distributions ²	1,068,221	156,499	206,087	103,986	158,173	145,651	297,824
Net ordinary income.....	352,637	10,560	75,336	41,118	70,315	56,733	98,575
Net short-term capital gain (loss).....	3,422	10,459	8,644	-3,705	-785	-2,695	-8,497
Net long-term capital gain (loss).....	602,662	131,789	109,086	57,901	81,362	71,313	151,211
Nontaxable income.....	109,499	3,690	13,020	8,672	7,281	20,300	56,535
Total accumulations ³	6,560,986	183,749	1,266,356	740,033	1,440,832	1,345,847	1,584,169
Net ordinary income.....	649,785	12,343	118,555	57,803	144,366	158,117	158,600
Net short-term capital gain (loss).....	90,978	10,750	27,348	18,303	12,493	9,608	12,476
Net long-term capital gain (loss).....	5,462,605	155,323	1,068,123	630,457	1,229,264	1,098,691	1,280,747
Nontaxable income.....	357,618	5,331	52,330	33,470	54,710	79,431	132,346
Prior year undistributed income	5,134,339	153,531	982,826	587,261	1,150,249	1,062,980	1,197,493
Net ordinary income.....	277,366	5,061	39,898	17,229	66,870	81,433	66,875
Net short-term capital gain (loss).....	106,057	9,340	26,279	26,598	15,118	8,974	19,748
Net long-term capital gain (loss).....	4,451,140	136,261	877,935	519,220	1,025,290	902,973	989,462
Nontaxable income.....	299,777	2,869	38,714	24,214	42,970	69,601	121,408
Current year net income	1,426,685	30,218	283,530	152,772	290,623	282,867	386,676
Net ordinary income.....	372,420	7,282	78,657	40,575	77,496	76,685	91,725
Net short-term capital gain (loss).....	-15,079	1,411	1,069	-8,295	-2,625	634	-7,272
Net long-term capital gain (loss).....	1,011,503	19,063	190,188	111,237	204,013	195,718	291,285
Nontaxable income.....	57,841	2,462	13,616	9,256	11,739	9,830	10,937
Undistributed at end of tax year	5,492,766	27,250	1,060,269	636,047	1,282,659	1,200,196	1,286,345
Net ordinary income.....	297,148	*1,783	43,219	16,685	74,051	101,384	60,026
Net short-term capital gain (loss).....	87,556	*291	18,704	22,008	13,278	12,303	20,973
Net long-term capital gain (loss).....	4,859,942	25,534	959,037	572,556	1,147,902	1,027,378	1,129,536
Nontaxable income.....	248,119	*1,642	39,310	24,798	47,428	59,131	75,810

* Estimate should be used with caution because of the small number of sample returns on which it is based.

¹ Includes returns that report the end-of-year book value of total assets (line 37, column (b)) from the balance sheet as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² All reported distribution amounts are calculated as the difference of "total accumulations" (line 22) less "undistributed at end of tax year" (line 23).

³ All information presented in this table is taken from the Accumulation Schedule, Form 5227.

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Split-Interest Trusts, 2000

Table 3.--Charitable Remainder Annuity Trusts: Book Value Balance Sheet Information, by Size of Book Value of Total Assets, 2000

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets				
		Under \$500,000 ¹	\$500,000 under \$1,000,000	\$1,000,000 under \$3,000,000	\$3,000,000 under \$10,000,000	\$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns.....	22,669	18,725	1,943	1,541	371	90
Total net assets (end-of-year) ².....	9,946,494	2,127,352	1,358,289	2,340,792	1,804,127	2,315,934
Total liabilities and net assets (end-of-year) ³.....	10,477,797	2,174,347	1,389,154	2,374,634	1,844,346	2,695,316
Total assets (end-of-year).....	10,547,242	2,192,922	1,390,161	2,395,845	1,851,904	2,716,410
Cash.....	185,662	32,507	27,304	28,256	50,665	46,930
Savings and temporary cash investments.....	768,385	153,882	64,265	163,145	176,032	211,060
Receivables due ⁴	213,812	63,523	17,927	76,688	40,805	14,869
Inventories and prepaid expenses.....	366	*64	--	*40	*198	63
Total investments.....	9,184,299	1,867,910	1,264,006	2,037,047	1,577,028	2,438,307
Securities.....	7,410,680	1,423,643	1,093,109	1,675,385	1,315,238	1,903,306
Government obligations.....	1,722,708	307,226	246,414	381,667	434,019	353,383
Corporate stock.....	4,446,218	796,881	703,165	990,352	663,144	1,292,675
Corporate bonds.....	1,241,755	319,536	143,531	303,366	218,074	257,248
Land, buildings, and equipment.....	95,297	22,029	**	17,201	52,510	**
Other investments.....	1,678,322	422,239	**170,897	344,461	209,281	**535,001
Charitable purpose land, buildings, and equipment.....	42,168	*7,517	--	32,971	*1,681	--
Other assets.....	144,679	67,397	16,658	49,950	5,495	5,180
Total liabilities (end-of-year).....	497,323	35,826	20,574	21,460	40,081	379,382
Accounts payable, accrued expenses, and deferred revenue.....	51,901	15,705	8,088	3,524	22,693	1,891
Loans from disqualified persons, mortgages, and notes payable.....	*4,029	*810	--	*2,867	*352	--
Other liabilities.....	441,393	19,311	12,486	15,069	17,036	377,491

* Estimate should be used with caution because of the small number of sample returns on which it is based.

**Data deleted or combined to prevent disclosure of individual taxpayer data. However, the data are included in the appropriate totals.

¹ Includes 918 returns that do not report end-of-year book value of total assets (line 37, column(b)), or that report the amount as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² Taken from "total net assets" (line 46, column (b)) of Form 5227.

³ Taken from "total liabilities and net assets" (line 47, column (b)) of Form 5227. This amount may not equal "total liabilities" (line 43, column (b)) plus "total net assets" (line 46, column (b)) due to taxpayer reporting error.

⁴ "Receivables due" is calculated as the sum of "accounts receivable" (line 27), "receivables due from officers, directors, trustees, and other disqualified persons" (line 28), and "other notes and loans receivable" (line 29).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Split-Interest Trusts, 2000

Table 4.--Charitable Remainder Unitrusts: Selected Income Information, by Size of Book Value of Total Assets, 2000

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets					
		Zero or not reported ¹	\$1 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$3,000,000	\$3,000,000 under \$10,000,000	\$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns	84,201	1,387	55,501	13,906	9,922	2,808	676
Total net income ²	13,971,314	116,671	1,621,861	1,674,445	3,040,702	2,968,941	4,548,694
Net ordinary income ³	2,181,214	8,709	380,993	311,317	497,042	381,781	601,371
Total ordinary income ⁴	2,595,793	13,132	448,722	375,731	600,618	459,130	698,461
Interest income.....	1,021,169	5,394	159,862	131,985	228,224	190,963	304,742
Dividends and business income (loss).....	1,287,488	7,395	230,115	189,785	280,459	238,395	341,340
Other income ⁵	287,132	*343	58,743	53,961	91,935	29,771	52,379
Total deductions ⁶	414,604	4,423	67,754	64,413	103,576	77,349	97,089
Interest.....	28,762	**	**	658	5,753	6,995	14,882
Taxes.....	9,088	* **51	**1,534	2,557	1,788	2,031	1,600
Other deductions.....	377,466	4,372	65,799	61,282	96,579	68,336	81,097
Net short-term capital gain (loss) ⁷	78,527	3,783	-17,157	14,611	32,834	516	43,940
Gross gain (loss).....	92,847	3,809	-15,898	16,225	36,252	2,121	50,338
Allocable deductions.....	14,319	*26	1,259	1,613	3,418	1,606	6,398
Net long-term capital gain (loss) ⁸	11,711,573	104,179	1,258,024	1,348,517	2,510,825	2,586,645	3,903,383
Gross gain (loss).....	11,803,961	104,537	1,272,077	1,361,484	2,530,968	2,601,808	3,933,086
Allocable deductions.....	92,522	*358	14,135	12,967	20,195	15,163	29,703

* Estimate should be used with caution because of the small number of sample returns on which it is based.

**Data deleted or combined to prevent disclosure of individual taxpayer data. However, the data are included in the appropriate totals.

¹ Includes returns that report the end-of-year book value of total assets (line 37, column (b)) from the balance sheet as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² Calculated as the sum of "net ordinary income" (line 13), "net short-term capital gain (loss)" (line 16), and "net long-term capital gain (loss)" (line 19).

³ Taken from "ordinary income less deductions" on line 13 of Form 5227. This amount may not equal "total ordinary income" (line 8) less "total deductions allocable to ordinary income" (line 12) due to taxpayer reporting discrepancies.

⁴ Taken from Form 5227, Line 8.

⁵ "Other income" is the sum of "rents, royalties, partnerships, other estates and trusts" (line 4), "farm income or loss" (line 5), "ordinary gain or loss" (line 6), and "other income" (line 7).

⁶ Taken from Form 5227, Line 12.

⁷ Taken from Form 5227, line 16.

⁸ Taken from Form 5227, line 19.

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Split-Interest Trusts, 2000

Table 5.--Charitable Remainder Unitrusts: Accumulation and Distribution Information, by Size of Book Value of Total Assets, 2000

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets					
		Zero or not reported ¹	\$1 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$3,000,000	\$3,000,000 under \$10,000,000	\$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns.....	84,201	1,387	55,501	13,906	9,922	2,808	676
Current year distributions².....	6,117,692	304,509	876,966	779,670	1,269,201	1,201,166	1,686,181
Net ordinary income.....	2,051,460	13,396	372,339	307,817	468,870	378,974	510,065
Net short-term capital gain (loss).....	71,386	13,701	5,038	7,004	13,218	3,687	28,737
Net long-term capital gain (loss).....	3,880,580	272,247	492,059	454,479	766,025	793,012	1,102,759
Nontaxable income.....	114,266	5,164	7,530	10,371	21,088	25,493	44,620
Total accumulations³.....	54,261,904	343,085	6,717,774	6,916,631	11,911,330	11,575,063	16,798,020
Net ordinary income.....	3,183,146	14,716	493,379	422,274	652,672	542,020	1,058,085
Net short-term capital gain (loss).....	969,960	13,424	88,978	111,829	213,203	199,152	343,375
Net long-term capital gain (loss).....	49,631,190	309,671	6,078,892	6,324,210	10,931,239	10,740,239	15,246,939
Nontaxable income.....	477,607	5,274	56,525	58,318	114,216	93,652	149,622
Prior year undistributed income.....	40,207,726	225,964	5,086,536	5,232,327	8,845,839	8,581,124	12,235,935
Net ordinary income.....	1,001,932	6,008	112,385	110,956	155,629	160,239	456,714
Net short-term capital gain (loss).....	891,422	9,641	106,125	97,217	180,369	198,636	299,435
Net long-term capital gain (loss).....	37,919,744	205,492	4,820,856	4,975,693	8,420,554	8,153,595	11,343,555
Nontaxable income.....	394,628	4,824	47,171	48,461	89,287	68,654	136,231
Current year net income.....	14,054,316	117,121	1,631,237	1,684,304	3,065,631	2,993,939	4,562,085
Net ordinary income.....	2,181,214	8,709	380,993	311,317	497,042	381,781	601,371
Net short-term capital gain (loss).....	78,538	3,783	-17,147	14,613	32,834	516	43,940
Net long-term capital gain (loss).....	11,711,585	104,179	1,258,036	1,348,517	2,510,825	2,586,645	3,903,383
Nontaxable income.....	82,979	*450	9,355	9,857	24,929	24,998	13,391
Undistributed at end of tax year.....	48,144,212	38,576	5,840,808	6,136,961	10,642,129	10,373,898	15,111,839
Net ordinary income.....	1,131,686	1,320	121,040	114,457	183,802	163,047	548,021
Net short-term capital gain (loss).....	898,574	-277	83,940	104,826	199,984	195,464	314,637
Net long-term capital gain (loss).....	45,750,611	37,424	5,586,833	5,869,731	10,165,215	9,947,228	14,144,179
Nontaxable income.....	363,341	*109	48,995	47,947	93,128	68,159	105,002

* Estimate should be used with caution because of the small number of sample returns on which it is based.

¹ Includes returns that report the end-of-year book value of total assets (line 37, column (b)) from the balance sheet as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² All reported distribution amounts are calculated as the difference of "total accumulations" (line 22) less "undistributed at end of tax year" (line 23).

³ All information presented in this table is taken from the Accumulation Schedule, Form 5227.

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Split-Interest Trusts, 2000

Table 6.--Charitable Remainder Unitrusts: Book Value Balance Sheet Information, by Size of Book Value of Total Assets, 2000

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets				
		Under \$500,000 ¹	\$500,000 under \$1,000,000	\$1,000,000 under \$3,000,000	\$3,000,000 under \$10,000,000	\$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	84,201	55,501	13,906	9,922	2,808	676
Total net assets (end-of-year) ²	69,806,084	10,340,231	9,743,674	15,908,837	13,921,725	19,891,617
Total liabilities and net assets (end-of-year) ³	70,790,431	10,473,058	9,841,589	16,159,550	14,153,743	20,162,491
Total assets (end-of-year)	71,008,793	10,523,168	9,865,076	16,211,055	14,176,377	20,233,117
Cash.....	1,273,862	188,115	129,889	304,884	245,515	405,459
Savings and temporary cash investments.....	5,391,061	708,470	705,012	1,157,042	1,164,838	1,655,699
Receivables due ⁴	2,166,474	507,438	342,648	689,585	266,458	360,344
Inventories and prepaid expenses.....	12,656	*207	*1,577	1,562	8,657	653
Total investments.....	59,305,087	8,473,612	8,226,153	13,336,742	11,967,625	17,300,955
Securities.....	43,871,613	6,488,924	6,613,272	10,962,117	9,298,589	10,508,710
Government obligations.....	5,009,632	562,521	637,369	1,267,025	1,102,952	1,439,765
Corporate stock.....	32,819,338	4,789,652	5,066,585	8,254,549	7,095,826	7,612,727
Corporate bonds.....	6,042,642	1,136,751	909,318	1,440,543	1,099,812	1,456,219
Land, buildings, and equipment.....	713,386	150,803	166,939	190,943	128,925	75,776
Other investments.....	14,720,088	1,833,884	1,445,942	2,183,682	2,540,110	6,716,469
Charitable purpose land, buildings, and equipment.....	352,384	65,753	*59,926	71,640	96,521	59,173
Other assets.....	2,503,904	578,333	400,498	648,533	425,706	450,833
Total liabilities (end-of-year)	987,135	96,618	97,913	232,312	221,988	338,303
Accounts payable, accrued expenses, and deferred revenue.....	325,370	38,866	45,322	94,474	71,162	75,546
Loans from disqualified persons, mortgages, and notes payable..	58,302	*1,457	7,064	15,129	31,482	3,170
Other liabilities.....	603,463	56,296	45,527	122,709	119,343	259,587

* Estimate should be used with caution because of the small number of sample returns on which it is based.

¹ Includes 1,387 returns that do not report end-of-year book value of total assets (line 37, column(b)), or that report the amount as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² Taken from "total net assets" (line 46, column (b)) of Form 5227.

³ Taken from "total liabilities and net assets" (line 47, column (b)) of Form 5227. This amount may not equal "total liabilities" (line 43, column (b)) plus "total net assets" (line 46, column (b)) due to taxpayer reporting error.

⁴ "Receivables due" is calculated as the sum of "accounts receivable" (line 27), "receivables due from officers, directors, trustees, and other disqualified persons" (line 28), and "other notes and loans receivable" (line 29).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Split-Interest Trusts, 2000

Table 7.--Charitable Remainder Unitrusts: Fair Market Value Balance Sheet Information, by Size of Book Value of Total Assets, 2000

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets				
		Under \$500,000 ¹	\$500,000 under \$1,000,000	\$1,000,000 under \$3,000,000	\$3,000,000 under \$10,000,000	\$10,000,000 or more
		(1)	(2)	(3)	(4)	(5)
Number of returns.....	84,201	55,501	13,906	9,922	2,808	676
Total assets (end-of-year).....	88,462,299	16,289,316	11,935,181	19,716,673	17,165,053	23,356,076
Cash	1,444,349	252,782	159,696	291,942	297,865	442,064
Savings and temporary cash investments.....	5,182,120	720,425	666,489	1,114,801	1,173,421	1,506,983
Receivables due ²	2,222,525	504,577	413,840	701,714	275,524	326,870
Inventories and prepaid expenses.....	10,065	140	*27	5,625	3,181	1,092
Total investments.....	75,560,062	13,599,283	10,068,663	16,625,424	14,789,985	20,476,706
Securities.....	57,752,467	10,949,547	8,024,503	13,698,792	11,968,143	13,111,483
Government obligations.....	5,078,149	708,662	632,868	1,240,436	1,067,140	1,429,043
Corporate stock.....	46,810,760	9,113,132	6,509,096	11,107,286	9,831,046	10,250,200
Corporate bonds.....	5,863,558	1,127,753	882,539	1,351,069	1,069,956	1,432,240
Land, buildings, and equipment.....	1,383,006	440,791	336,982	317,180	182,194	105,859
Other investments.....	16,424,589	2,208,946	1,707,178	2,609,453	2,639,648	7,259,364
Charitable purpose land, buildings, and equipment.....	810,782	251,066	185,506	157,369	114,022	102,819
Other assets.....	3,345,520	957,133	440,956	810,233	511,054	626,145
Total liabilities (end-of-year).....	1,171,861	113,734	77,614	196,550	155,200	628,764
Accounts payable, accrued expenses, and deferred revenue.....	243,900	37,169	34,397	63,996	58,343	49,996
Loans from disqualified persons, mortgages, and notes payable..	56,422	*2,359	*6,896	12,574	*25,356	9,237
Other liabilities.....	871,539	74,207	36,321	119,979	71,501	569,531

* Estimate should be used with caution because of the small number of sample returns on which it is based.

¹ Includes 1,387 returns that do not report end-of-year book value of total assets (line 37, column (b)), or that report the amount as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² "Receivables due" is calculated as the sum of "accounts receivable" (line 27), "receivables due from officers, directors, trustees, and other disqualified persons" (line 28), and "other notes and loans receivable" (line 29).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Split-Interest Trusts, 2000

Table 8.--Charitable Lead Trusts: Book Value Balance Sheet Information, by Size of Book Value of Total Assets, 2000

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets				
		Under 500,000 ¹	\$500,000 under \$1,000,000	\$1,000,000 under \$3,000,000	\$3,000,000 under \$10,000,000	\$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns.....	4,571	1,599	1,220	1,068	464	165
Total net assets (end-of-year)².....	10,086,031	181,233	900,625	1,772,723	2,320,384	4,911,066
Total liabilities and net assets (end-of-year)³.....	10,759,552	305,403	939,645	1,791,772	2,346,577	5,376,155
Total assets (end-of-year).....	10,810,272	307,967	939,645	1,844,884	2,360,888	5,356,887
Cash	107,798	3,205	14,829	48,322	17,707	23,734
Savings and temporary cash investments.....	867,844	46,458	65,973	187,669	232,783	334,961
Receivables due ⁴	169,310	*7,507	*14,041	54,215	*59,207	34,340
Inventories and prepaid expenses.....	6,145	--	*47	*206	*2,600	3,292
Total investments.....	9,274,456	242,123	826,054	1,479,793	1,959,721	4,766,765
Securities.....	6,852,940	169,975	631,186	1,255,082	1,378,935	3,417,761
Government obligations.....	838,027	22,872	88,644	183,942	129,869	412,700
Corporate stock.....	5,533,602	135,174	514,224	964,627	1,078,903	2,840,674
Corporate bonds.....	481,311	*11,929	*28,319	106,513	170,164	164,387
Other investments ⁵	2,421,516	72,148	194,868	224,711	580,786	1,349,004
Other assets ⁶	385,081	*8,674	*18,700	75,042	88,870	193,795
Total liabilities (end-of-year).....	674,244	124,479	39,020	19,464	26,192	465,089
Accounts payable, accrued expenses, and deferred revenue.....	143,246	*569	*606	7,037	3,974	131,060
Loans from disqualified persons, mortgages, and notes payable.	230,402	122,713	*12,660	*770	*2,481	91,777
Other liabilities.....	300,597	*1,197	*25,753	11,657	19,737	242,252

* Estimate should be used with caution because of the small number of sample returns on which it is based.

¹ Includes 68 returns that do not report end-of-year book value of total assets (line 37, column (b)), or that report the amount as zero. Often, this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² Taken from "total net assets" (line 46, column (b)) of Form 5227.

³ Taken from "total liabilities and net assets" (line 47, column (b)) of Form 5227. This amount may not equal "total liabilities" (line 43, column (b)) plus "total net assets" (line 46, column (b)) due to taxpayer reporting error.

⁴ "Receivables due" is calculated as the sum of "accounts receivable" (line 27), "receivables due from officers, directors, trustees, and other disqualified persons" (line 28), and "other notes and loans receivable" (line 29).

⁵ "Other investments" is calculated as the sum of "investments--land, buildings, and equipment" (line 33) and "investments--other" (line 34).

⁶ "Other assets" is calculated as the sum of "land, buildings and equipment" (line 35) and "other assets" (line 36).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Split-Interest Trusts, 2000

Table 9.--Pooled Income Funds: Book Value Balance Sheet Information, by Size of Book Value of Total Assets, 2000

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets				
		Under \$500,000 ¹	\$500,000 under \$1,000,000	\$1,000,000 under \$3,000,000	\$3,000,000 under \$10,000,000	\$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns.....	1,634	1,149	135	186	73	24
Total net assets (end-of-year) ².....	1,442,361	132,077	*82,937	248,991	368,195	610,161
Total liabilities and net assets (end-of-year) ³.....	1,557,063	132,398	*86,066	278,588	402,147	657,862
Total assets (end-of-year).....	1,585,832	132,392	*86,066	307,393	402,147	657,832
Cash.....	12,562	**	**	4,256	2,370	4,466
Savings and temporary cash investments.....	101,450	**11,056	* ** 1,258	15,919	29,625	45,063
Receivables due ⁴	7,639	*12	--	*4,456	*2	3,169
Inventories and prepaid expenses.....	*167	--	--	--	*167	--
Total investments.....	1,446,145	114,350	84,808	282,675	369,744	594,567
Securities.....	1,064,994	69,494	61,300	217,750	253,652	462,798
Government obligations.....	179,093	*11,848	*14,917	28,822	54,324	69,182
Corporate stock.....	362,844	**	**	70,850	99,461	168,878
Corporate bonds.....	523,056	**57,646	**46,383	118,079	99,866	224,738
Other investments ⁵	381,151	44,875	*23,508	64,925	116,093	131,769
Other assets ⁶	17,868	*6,974	--	*87	*240	10,568
Total liabilities (end-of-year).....	20,887	322	*3,130	1,385	2,805	13,246

* Estimate should be used with caution because of the small number of sample returns on which it is based.

**Data deleted or combined to prevent disclosure of individual taxpayer data. However, the data are included in the appropriate totals.

¹ Includes 68 returns that do not report end-of-year book value of total assets (line 37, column (b)), or that report the amount as zero. Often this amount is reported as zero for those trusts filing a final return. In these cases, the trusts report having assets at the beginning of the year, but nothing at the end of the year.

² Taken from "total net assets" (line 46, column (b)) of Form 5227.

³ Taken from "total liabilities and net assets" (line 47, column (b)) of Form 5227. This amount may not equal "total liabilities" (line 43, column (b)) plus "total net assets" (line 46, column (b)) due to taxpayer reporting error.

⁴ "Receivables due" is calculated as the sum of "accounts receivable" (line 27), "receivables due from officers, directors, trustees, and other disqualified persons" (line 28), and "other notes and loans receivable" (line 29).

⁵ "Other investments" is calculated as the sum of "investments--land, buildings, and equipment" (line 33) and "investments--other" (line 34).

⁶ "Other assets" is calculated as the sum of "land, buildings, and equipment" (line 35) and "other assets" (line 36).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.