

Split-Interest Trusts, 2001

by Melissa J. Belvedere

Split-interest trusts are, essentially, hybrid trusts having both charitable and noncharitable beneficiaries. While they are not actually recognized by the Internal Revenue Service as being tax-exempt entities, they have many tax-exempt characteristics, and offer to donors many of the same benefits available to donors to charities. There are three main types of split-interest trusts: charitable remainder trusts, charitable lead trusts, and pooled income funds. All split-interest trusts must file Form 5227 annually to report financial activity and determine if they should be treated as a private foundation.

For Tax Year 2001, there were 119,821 Forms 5227 filed, up from 113,075 filed for 2000. Split-interest trusts reported end-of-year total assets (book value) of \$111.2 billion, an increase of 18.4 percent from the previous year (Figure A) [1]. Despite the increase in the number of trusts, and the reported increase in book value of total assets, total net income dropped significantly, from \$15.3 billion in 2000 to \$11.7 billion in 2001. Distributions by split-interest trusts increased by 16.7 percent, to \$9.4 billion.

Throughout this article, trusts are described in terms of their size as being either small, medium, or large. This description is based on the trust's reported end-of-year total assets (book value) [2]. Small trusts are those that reported total assets of \$500,000 or less, and those trusts that either did not report end-of-year book value of total assets, or that reported the amount as zero; medium-sized trusts are those with between \$500,000 and \$3.0 million in total assets; large trusts reported total assets of \$3.0 million or more [3].

Charitable Remainder Trusts

Background

Under a charitable remainder trust arrangement, a stream of income is paid by the trust to one or more noncharitable beneficiaries until the trust terminates, at which point the remaining assets are transferred to a charitable beneficiary. The duration of the trust can be a specified number of years (not to exceed 20 years), or it can be for the life of a particular individual (often, the donor or donor's spouse). On

creation, the donor is allowed an income tax deduction based on the estimated amount to be donated to charity at the trust's conclusion. To prevent various tax-avoidance schemes, the Internal Revenue Service requires the charitable distribution to be at least 10.0 percent of the fair market value of the initial trust assets.

Donors may structure the lifetime payments to the trust's private beneficiaries as either fixed (an annuity trust) or flexible (a unitrust), depending on the desired results of each arrangement. Payment amounts are determined by applying a specified percentage (between 5.0 percent and 50.0 percent) to the fair market value of the trust assets. In the case of an annuity trust, the percentage is applied to the fair market value of the trust assets at the time the assets are transferred to the trust. Annuity trusts offer stability, as the payment is level regardless of the fluctuations of the market. However, there is no inflation protection or way to maximize personal gains from a robust market. Under unitrust arrangements, the trust percentage is applied to the fair market value of the trust assets as they are valued in each year. Unitrusts introduce more risk but also allow for greater gains when the market is favorable [4].

To complicate matters further, charitable remainder unitrusts can have net income provisions, and these can be classified into trusts with or without makeup provisions. Net income charitable remainder unitrusts do not have makeup provisions, meaning that they pay the private beneficiary either the unitrust amount or the annual income of the trust, whichever is less. In years where the income is less than the unitrust amount, a deficiency is created, which is not "made up for" in future years. Net income with makeup charitable remainder unitrusts also pays the lesser of the unitrust amount or the trust's annual income, but any deficiency (or accumulated deficiency, depending on the trust's income over years) can be paid in future years when the trust's income exceeds the unitrust amount.

Balance Sheets

Charitable Remainder Annuity Trusts

There was a 1.3-percent increase in the number of Forms 5227 filed by charitable remainder annuity trusts for 2001; 22,958 were filed, up from 22,669 from 2000. The majority (82.1 percent) were small

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Split-Interest Trusts, 2001

Figure A

Profile of Split-Interest Trusts, by Type of Trust, 2000 and 2001

[Money amounts are in thousands of dollars]

Item	2001 total	Charitable remainder trusts					
		Annuity trusts			Unitrusts		
		2000	2001	Percentage change	2000	2001	Percentage change
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Number of returns	119,821	22,669	22,958	1.3	84,201	89,874	6.7
Total net income ¹	11,686,247	1,368,827	1,024,754	-25.1	13,971,314	10,661,493	-23.7
Net ordinary income ²	2,400,397	372,419	305,674	-17.9	2,181,214	2,094,723	-4.0
Total net capital gains (losses) ³	9,285,849	996,407	719,080	-27.8	11,790,100	8,566,769	-27.3
Distributions ⁴	9,399,643	1,068,221	1,700,026	59.1	6,117,692	6,653,111	8.8
Total assets at end of year:							
Book value.....	111,230,212	10,547,242	10,177,555	-3.5	71,008,793	84,282,040	18.7
Fair market value ⁵	N/A	N/A	N/A	N/A	88,462,299	100,268,578	13.3

Item	Charitable lead trusts			Pooled income funds		
	2000	2001	Percentage change	2000	2001	Percentage change
	(8)	(9)	(10)	(11)	(12)	(13)
Number of returns	4,571	5,292	15.8	1,634	1,698	3.9
Total net income ¹	N/A	N/A	N/A	N/A	N/A	N/A
Net ordinary income ²	N/A	N/A	N/A	N/A	N/A	N/A
Total net capital gains (losses) ³	N/A	N/A	N/A	N/A	N/A	N/A
Distributions ⁴	751,973	917,700	22.0	118,010	128,807	9.1
Total assets at end of year:						
Book value.....	10,810,272	15,075,433	39.5	1,585,832	1,695,183	6.9
Fair market value ⁵	N/A	N/A	N/A	N/A	N/A	N/A

N/A--Not applicable.

¹ For charitable remainder trusts, 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).

² For charitable remainder trusts, 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.

³ For charitable remainder trusts, calculated as the sum of "net short-term capital gain (loss)" (line 16) and "net long-term capital gain (loss)" (line 19).

⁴ In the case of charitable remainder annuity trusts and unitrusts, distributions are 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) from Form 5227, Part II, the Accumulation Schedule. 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 payment required to be paid to charitable beneficiaries" (line 3), and "annuity or unitrust payments required to be paid to private beneficiaries" (line 4) from Form 5227, Part VII, Section A, the Questionnaire for Charitable Lead Trusts. In the case of pooled income funds, distributions were calculated as "amount required to be distributed to satisfy the remainder interest" (line 2), less "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 Form 5227, Part VII, Section B, the Questionnaire for Pooled Income Funds.

⁵ For charitable remainder unitrusts, taken from Form 5227, Part IV, line 37, column (c).

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

trusts with less than \$500,000 in end-of-year total assets; 16.0 percent had asset amounts between \$500,000 and \$3.0 million; only 1.9 percent reported assets in excess of \$3.0 million (Figure B).

Annuity trusts reported \$10.2 billion in aggregate total assets, a decrease of 3.5 percent from 2000 (Figure B) [5]. This is an interesting development, in that the pace of growth slowed significantly between 1999 and 2000; the decline between 2000 and 2001 seems to continue the trend. Also interesting is the

fact that, while small and large trusts reported a decrease in total assets (0.7 percent and 14.9 percent, respectively), mid-sized trusts reported an increase in total assets of 8.7 percent (up to \$4.1 billion in 2001). Approximately 85.4 percent of aggregate total asset holdings by annuity trusts were in investments (\$8.7 billion); approximately 81.3 percent of aggregate total investments were in securities (\$7.1 billion). Small trusts held 21.4 percent of total assets and 21.3 percent of total investments;

Split-Interest Trusts, 2001

Figure B

Charitable Remainder Annuity Trusts: Book Value Balance Sheet Information, by Size of Book Value of Total Assets, 2000 and 2001

[Money amounts are in thousands of dollars]

Item	Total			Size of book value of total assets (2001)		
	2000	2001	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	22,669	22,958	1.3	18,848	3,664	446
Total assets (end-of-year).....	10,547,242	10,177,555	-3.5	2,177,248	4,114,531	3,885,776
Total investments ²	9,184,299	8,695,625	-5.3	1,855,759	3,537,309	3,302,557
Securities ³	7,410,680	7,070,450	-4.6	1,462,180	2,984,977	2,623,293
Total liabilities.....	497,323	210,572	-57.7	36,194	133,645	40,733

Ratio expressed as a percentage	Total			Size of book value of total assets (2001)		
	2000	2001	Percentage 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	87.1	85.4	-1.7	85.2	86.0	85.0
Securities/total investments ²³	80.7	81.3	0.6	78.8	84.4	79.4
Total liabilities/total assets.....	4.7	2.1	-2.6	1.7	3.2	1.0

¹ Includes 847 returns that did not report end-of-year book value of total assets (line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, this amount is reported as zero for those trusts filing a final return. In those cases, the trusts reported having assets at the beginning of the year, but nothing at the end of the year.

² Calculated as the sum of "U.S. and State government obligations" (line 32a), "corporate stock" (line 32b), "corporate bonds" (line 32c), "investments—land, buildings, and equipment" (line 33), and "other investments" (line 34).

³ Calculated as the sum of "U.S. and State government obligations" (line 32a), "corporate stock" (line 32b), and "corporate bonds" (line 32c).

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

medium trusts held 40.4 percent of total assets and 40.7 percent of total investments. The largest trusts, which comprised less than 2.0 percent of the total number of annuity trust returns, held 38.2 percent of aggregate total assets and 38.0 percent of aggregate total investments. Overall, charitable remainder annuity trusts reported only \$210.6 million in total liabilities, which represents a 57.7-percent decline from 2000 [6,7].

Charitable Remainder Unitrusts

For Tax Year 2001, some 89,874 charitable remainder unitrusts filed Form 5227, an increase of 6.7 percent over the number filed for Tax Year 2000 (Figure A). Most of those returns were for small trusts (61,732 returns, or 68.7 percent), while 27.2 percent were for midsized trusts (24,474), and only 4.1 percent (3,668 returns) were for trusts with more than \$3.0 million in end-of-year total assets (Figure C). Charitable remainder unitrusts are required to report end-of-year balance sheet information in fair market value amounts (in addition to book value

amounts as with all other trusts) because of the way in which they determine the annual payment to their private beneficiaries.

Unitrusts reported the book value of their aggregate total assets as \$84.3 billion, an 18.7-percent increase from 2000 (Figure C). Of that amount, aggregate total investments were valued at \$68.8 billion, or 81.7 percent of the aggregate total assets. The smallest unitrusts held 13.6 percent of aggregate total assets; midsized trusts held 31.6 percent; large unitrusts reported holding 54.8 percent of the total assets of all charitable remainder unitrusts. The book value amount of total liabilities reported by unitrusts was \$1.5 billion, or 1.7 percent of the amount of total assets.

Using fair market value amounts, unitrusts reported \$100.3 billion in aggregate total assets, a 13.3-percent increase over the prior year amount. Aggregate total investments made up 84.3 percent of this amount, or \$84.6 billion. Of course, the largest unitrusts held the majority of both assets (54.4 per-

Split-Interest Trusts, 2001

Figure C

Charitable Remainder Unitrusts: Balance Sheet Information, by Size of Book Value of Total Assets, 2001

[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 (1)	FMV (2)	Book (3)	FMV (4)	Book (5)	FMV (6)	Book (7)	FMV (8)
Number of returns.....	89,874	89,874	61,732	61,732	24,474	24,474	3,668	3,668
Total assets (end-of-year).....	84,282,040	100,268,578	11,464,933	14,854,662	26,647,557	30,852,040	46,169,550	54,561,876
Total investments ²	68,848,460	84,568,200	9,167,287	11,808,843	21,863,909	25,635,915	37,817,264	47,123,442
Securities ³	47,517,343	60,909,477	7,293,870	9,177,952	17,983,626	20,840,459	22,239,846	30,891,066
Total liabilities.....	1,450,864	1,640,188	98,363	71,989	303,408	317,537	1,049,094	1,250,662

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 (1)	FMV (2)	Book (3)	FMV (4)	Book (5)	FMV (6)	Book (7)	FMV (8)
Total investments/total assets ²	81.7	84.3	80.0	79.5	82.0	83.1	81.9	86.4
Securities/total investments ^{2,3}	69.0	72.0	79.6	77.7	82.3	81.3	58.8	65.6
Total liabilities/total assets.....	1.7	1.6	0.9	0.5	1.1	1.0	2.3	2.3

¹ Includes 2,032 returns that did not report end-of-year book value of total assets (line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, this amount is reported as zero for those trusts filing a final return. In those cases, the trusts reported having assets at the beginning of the year, but nothing at the end of the year.

² Calculated as the sum of "U.S. and State government obligations" (line 32a), "corporate stock" (line 32b), "corporate bonds" (line 32c), "investments--land, buildings, and equipment" (line 33), and "other investments" (line 34).

³ Calculated as the sum of "U.S. and State government obligations" (line 32a), "corporate stock" (line 32b), and "corporate bonds" (line 32c).

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

cent) and investments (55.7 percent). Overall, 72.0 percent of investments were held in securities; however, that percentage ranged from 65.6 percent for large trusts, to a high of 81.3 percent for mid-sized trusts. The reported fair market value of liabilities increased to \$1.6 billion for 2001.

Income, Accumulations, and Distributions

Charitable Remainder Annuity Trusts

Annuity trusts actually experienced a decrease in total net income, overall, for 2001. Only \$1.0 billion were reported, representing a 25.1-percent decrease from 2000 (Figure D). This decline occurred in medium and large-sized trusts, and was attributable to a decreases in all types of net income reported (ordinary, short-term capital gains (losses), and long-term capital gains (losses)). Net ordinary income represented about 29.8 percent of total net income (at \$305.7 million) for the current year. Including prior-year undistributed income, total accumulations of ordinary income amounted to \$664.9 million

(Figure E) [8]. Roughly half of accumulated ordinary income was distributed (50.6 percent, or \$336.2 million), which accounted for nearly 19.8 percent of all distributions (Figure F) [9].

One of the most startling changes for 2001 is the amount of reported net short-term capital losses (\$135.8 million). While net short-term capital losses were reported for 2000, the total was comparatively small (only \$14.1 million). Because of the unusually large aggregate net short-term capital losses reported, the Form 5227 sample file was checked for any data anomalies or inconsistencies, but none was found. It appears that the large aggregate losses occurred for trusts across all of the asset-size classes shown in Figure B and Table 1 [10].

Net long-term capital gain income was, of course, the largest source of income, comprising 83.4 percent of total net income. While this is a greater proportion of total net income than in 2000 (when it was 73.9 percent of the total), the actual dollar amount of net long-term capital gains decreased by approximately 15.5 percent, to \$854.9 million. Annu-

Split-Interest Trusts, 2001

Figure D

Charitable Remainder Annuity Trusts: Income and Deduction Information, by Size of Book Value of Total Assets, 2001

[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	22,958	18,848	3,664	446
Total net income ²	1,024,754	432,895	314,141	277,718
Net ordinary income ³	305,674	107,886	101,589	96,199
Total ordinary income.....	383,772	131,207	126,659	125,906
Deductions allocable to ordinary income.....	78,097	23,321	25,069	29,707
Net short-term capital gain income (loss) ⁴	-135,825	-41,839	-40,960	-53,026
Total short-term capital gain income (loss).....	-135,135	-41,598	-40,594	-52,944
Deductions allocable to short-term capital gain income (loss).....	690	241	367	82
Net long-term capital gain income (loss) ⁵	854,905	366,848	253,512	234,545
Total long-term capital gain income (loss) ⁶	860,450	369,340	255,314	235,797
Deductions allocable to long-term capital gain income (loss).....	5,545	2,491	1,802	1,251

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}	29.8	24.9	32.3	34.6
Net short-term capital gain income (loss)/total net income ^{2,4}	-13.3	-9.7	-13.0	-19.1
Net long-term capital gain income (loss)/total net income ^{2,5}	83.4	84.7	80.7	84.5

¹ Includes 847 returns that did not report end-of-year book value of total assets (line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, this amount is reported as zero for those trusts filing a final return. In those cases, the trusts reported 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, Part I, line 16. Includes losses.

⁵ Taken from Form 5227, Part I, line 19. Includes losses.

⁶ Taken from Form 5227, Part I, line 17a. Includes losses.

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

ity trusts had net long-term capital gain accumulations, including prior-year undistributed income, of \$6.1 billion. For 2001, they distributed \$1.2 billion, or 19.0 percent, of this amount. However, this amount accounted for the vast majority (68.5 percent) of the total distributions by annuity trusts. Small trusts were much more likely to base their distributions on net long-term capital gains (which comprised 75.8 percent of the total distributions by small trusts) than were medium-sized trusts (at 63.4 percent coming from net long-term capital gains) or large trusts (with only 45.7 percent).

The Accumulation Schedule is the only part of Form 5227 where charitable remainder trusts report information on nontaxable income [11]. For 2001,

annuity trusts reported only \$57.9 million in nontaxable income, roughly equal to what was reported for 2000. However, despite the relatively small gain from 2000 to 2001, the total accumulations of nontaxable income were sizeable, at \$424.4 million. Of that amount, over 60.2 percent was distributed in 2001 (\$255.7 million), or about 15.0 percent of the total distributions by all annuity trusts. The largest trusts relied on nontaxable income for 26.4 percent of their distributions, more than small or midsized trusts.

Charitable Remainder Unitrusts

As with annuity trusts, charitable remainder unitrusts reported a decline in their amount of total net income. Whereas, for 2000, unitrusts reported net earnings of

Split-Interest Trusts, 2001

Figure E

Charitable Remainder Annuity Trusts: Accumulation and Distribution Information, by Type of Income, 2001

[Money amounts are in thousands of dollars]

Item	Total	Type of income			
		Net ordinary income	Capital gains (losses)		Nontaxable income
			Net short-term	Net long-term	
(1)	(2)	(3)	(4)	(5)	
Total accumulations ¹	7,167,364	664,921	-48,301	6,126,343	424,401
Prior-year undistributed income ²	6,084,670	359,247	87,524	5,271,437	366,462
Current-year net income ³	1,082,693	305,674	-135,825	854,905	57,939
Current-year distributions ⁴	1,700,026	336,230	-57,054	1,165,116	255,734
Undistributed at end of year ⁵	5,467,338	328,691	8,753	4,961,227	168,667

¹ Taken from Form 5227, Part II, line 22.

² Taken from Form 5227, Part II, line 20.

³ Taken from Form 5227, Part II, line 21.

⁴ All reported distribution amounts are calculated as "total accumulations" (line 22) less "undistributed at end of tax year" (line 23).

⁵ Taken from Form 5227, Part II, line 23.

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

Figure F

Charitable Remainder Annuity Trusts: Distributions, by Source of Distribution Funds and Size of Book Value of Total Assets, 2001

[Money amounts are in thousands of dollars]

Source of funds	Total		Size of book value of total assets					
			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)	
Current-year distributions ²	1,700,026	100.0	1,129,081	100.0	273,077	100.0	297,867	100.0
Net ordinary income ³	336,230	19.8	137,748	12.2	102,286	37.5	96,196	32.3
Net short-term capital gain (loss) ⁴	-57,054	-3.4	-23,342	-2.1	-20,892	-7.7	-12,821	-4.3
Net long-term capital gain (loss) ⁵	1,165,116	68.5	856,046	75.8	173,077	63.4	135,993	45.7
Nontaxable income ⁶	255,734	15.0	158,630	14.0	18,606	6.8	78,499	26.4

¹ Includes 847 returns that did not report end-of-year book value of total assets (line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, this amount is reported as zero for those trusts filing a final return. In those cases, the trusts reported 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).

³ All ordinary income information is taken from Form 5227, Part II, column (a).

⁴ All short-term capital gain information is taken from Form 5227, Part II, column (b).

⁵ All long-term capital gain information is taken from Form 5227, Part II, column (c).

⁶ All nontaxable income information is taken from Form 5227, Part II, column (d).

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

almost \$14.0 billion, the amount of total net income reported for the current year was only \$10.7 billion, a 23.7-percent decrease (Figure G). Net ordinary

income (\$2.1 billion) comprised about 19.6 percent of the reported total net income. The total accumulations of ordinary income (including prior-year

Figure G

Charitable Remainder Unitrusts: Income and Deduction Information, by Size of Book Value of Total Assets, 2001

[Money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets		
		Under	\$500,000	\$3,000,000
		\$500,000 ¹	under \$3,000,000	or more
(1)	(2)	(3)	(4)	
Number of returns	89,874	61,732	24,474	3,668
Total net income ²	10,661,493	794,379	1,930,925	7,936,188
Net ordinary income ³	2,094,723	367,534	639,928	1,087,261
Total ordinary income.....	2,892,182	462,379	834,251	1,595,552
Deductions allocable to ordinary income.....	797,456	94,843	194,323	508,291
Net short-term capital gain income (loss) ⁴	-398,586	-151,614	-496,057	249,085
Total short-term capital gain income (loss).....	-385,829	-150,870	-493,590	258,631
Deductions allocable to short-term capital gain income (loss).....	12,757	744	2,468	9,545
Net long-term capital gain income (loss) ⁵	8,965,355	578,458	1,787,055	6,599,842
Total long-term capital gain income (loss) ⁶	9,018,735	588,928	1,806,615	6,623,192
Deductions allocable to long-term capital gain income (loss).....	53,379	10,469	19,560	23,350

Ratio expressed as a percentage	Total	Size of book value of total assets		
		Under	\$500,000	\$3,000,000
		\$500,000 ¹	under \$3,000,000	or more
(1)	(2)	(3)	(4)	
Net ordinary income/total net income ^{2,3}	19.6	46.3	33.1	13.7
Net short-term capital gain income (loss)/total net income ^{2,4}	-3.7	-19.1	-25.7	3.1
Net long-term capital gain income (loss)/total net income ^{2,5}	84.1	72.8	92.5	83.2

¹ Includes 2,032 returns that did not report end-of-year book value of total assets (line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, this amount is reported as zero for those trusts filing a final return. In those cases, the trusts reported 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, Part I, line 16. Includes losses.

⁵ Taken from Form 5227, Part I, line 19. Includes losses.

⁶ Taken from Form 5227, Part I, line 17a. Includes losses.

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

undistributed income) by unitrusts was \$3.7 billion, of which 51.6 percent was distributed in 2001 (Figure H). For all sizes of unitrusts, net ordinary income made up 28.7 percent of the total distributions (Figure I); however, midsized trusts were slightly more apt to rely on ordinary income for their distributions (32.0 percent) than either small trusts (25.5 percent) or large trusts (28.0 percent).

Similar to annuity trusts, unitrusts reported unusually large net short-term capital losses for 2001. Whereas unitrusts reported \$78.5 million in net short-term capital gains for 2000, they reported losses in the amount of \$398.6 million in 2001. However, unlike annuity trusts in which the losses were experi-

enced by trusts in all size classes, only the small and midsized unitrusts reported losses--the large trusts actually reported gains of \$249.1 million. As with annuity trusts, accuracy of these unusual data was confirmed [12].

Net long-term capital gains were still the largest component of total net income (\$9.0 billion, or 84.1 percent overall), although the amount had decreased from \$11.7 billion in net long-term capital gains the previous year. Accumulations of these gains, including undistributed gains from prior years, amounted to \$61.3 billion, of which only \$5.3 billion (8.7 percent) were distributed during 2001. The importance of long-term capital gains to charitable remainder

Split-Interest Trusts, 2001

Figure H

Charitable Remainder Unitrusts: Accumulation and Distribution Information, by Type of Income, 2001

[Money amounts are in thousands of dollars]

Item	Total	Type of income			
		Net ordinary income	Capital gains (losses)		Nontaxable income
			Net short-term	Net long-term	
(1)	(2)	(3)	(4)	(5)	
Total accumulations ¹	67,090,027	3,699,061	1,587,300	61,335,940	467,727
Prior-year undistributed income ²	56,323,753	1,604,337	1,986,008	52,369,918	363,491
Current-year net income ³	10,766,272	2,094,724	-398,708	8,966,021	104,236
Current-year distributions ⁴	6,653,111	1,907,804	-702,933	5,328,835	119,405
Undistributed at end of year ⁵	60,436,916	1,791,256	2,290,233	56,007,104	348,322

¹ Taken from Form 5227, Part II, line 22.

² Taken from Form 5227, Part II, line 20.

³ Taken from Form 5227, Part II, line 21.

⁴ All reported distribution amounts are calculated as "total accumulations" (line 22) less "undistributed at end of tax year" (line 23).

⁵ Taken from Form 5227, Part II, line 23.

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

unitrusts is apparent; they accounted for over 80.0 percent of the total distributions by these trusts. This is particularly true with large trusts, for which 82.9 percent of distributions was from net long-term capital gains.

Nontaxable income accounted for a very small portion of unitrusts' income, at only \$104.2 million for 2001. Of the reported \$467.7 million in accumulations of this income, about 25.5 percent was distributed. The amount distributed of nontaxable income

Figure I

Charitable Remainder Unitrusts: Distributions, by Source of Distribution Funds and Size of Book Value of Total Assets, 2001

[Money amounts are in thousands of dollars]

Source of funds	Total		Size of book value of total assets					
			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)	
Current-year distributions ²	6,653,111	100.0	1,434,217	100.0	2,068,534	100.0	3,150,360	100.0
Net ordinary income ³	1,907,804	28.7	365,375	25.5	660,909	32.0	881,520	28.0
Net short-term capital gain (loss) ⁴	-702,933	-10.6	-56,813	-4.0	-254,009	-12.3	-392,112	-12.4
Net long-term capital gain (loss) ⁵	5,328,835	80.1	1,092,703	76.2	1,625,182	78.6	2,610,951	82.9
Nontaxable income ⁶	119,405	1.8	32,952	2.3	36,452	1.8	50,001	1.6

¹ Includes 2,032 returns that did not report end-of-year book value of total assets (line 37, column (b)) from the balance sheet, or that reported the amount as zero.

Often, this amount is reported as zero for those trusts filing a final return. In those cases, the trusts reported 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).

³ All ordinary income information is taken from Form 5227, Part II, column (a).

⁴ All short-term capital gain information is taken from Form 5227, Part II, column (b).

⁵ All long-term capital gain information is taken from Form 5227, Part II, column (c).

⁶ All nontaxable income information is taken from Form 5227, Part II, column (d).

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

Split-Interest Trusts, 2001

increased slightly, by 4.5 percent, from 2000. Distributions from nontaxable income made up only about 1.8 percent of all distributions made by charitable remainder unitrusts.

Charitable Lead Trusts

Background

When a donor establishes a charitable lead trust, assets are transferred to the trust, which then pays a stream of income to a designated charitable recipient. The charitable beneficiary receives income based on the trust's earnings; at the termination of the trust, ownership of the assets is transferred to a specified noncharitable beneficiary. In this way, charitable lead trusts are essentially the reverse of charitable remainder trusts.

Like charitable remainder trusts, charitable lead trusts can be classified as either annuity trusts or unitrusts. The payments to charities can be either an annuity amount, where the payment is a fixed amount based on the initial value of the trust assets, or a unitrust amount, in which the payment is calculated by applying a fixed percentage to the trust assets as they are valued each year.

Despite the similarities to charitable remainder trusts, there are also some crucial differences. Charitable lead trusts are not tax-exempt entities and are liable for any income and/or capital gain taxes that are incurred, although they are also able to deduct the income payments to charitable organizations. Additionally, lead trusts are not subject to the minimum (5.0 percent) and maximum (50.0 percent) payout requirements applicable to remainder trusts. The last important difference between charitable remainder and charitable lead trusts is related to the duration of the life of the trust. The duration of both types can be based on the life of a specified individual, or for a number of years. While charitable remainder trusts are limited to a maximum of 20 years, lead trusts can continue indefinitely.

Classifying charitable lead trusts as annuity trusts or unitrusts is based on the structure of the payments to the charitable recipient. Additionally, all charitable lead trusts are classified as either grantor or nongrantor trusts, based on the noncharitable remainder beneficiary. This distinction is independent of the structure of the payments and can apply to both charitable lead annuity trusts and charitable lead

unitrusts. Grantor trusts have as the remainder beneficiary the donor of the assets of the trust, and are less common than nongrantor trusts. Grantor trusts allow the donor to take a tax deduction (in the year the trust was established) based on the present value of the estimated stream of payments to the charitable recipient. The deduction amount cannot exceed 30.0 percent of the donor's adjusted gross income (AGI); yet excess amounts can be carried forward and applied to subsequent returns for up to 5 consecutive years. Grantor trusts also require that the donor claim and pay taxes on any income from the trust's assets. Generally speaking, grantor lead trusts are most useful to donors who expect to be in a significantly higher tax bracket in the year the trust is established than in subsequent years, and who need a substantial tax deduction for a given year but can afford to pay lesser taxes on "phantom income" during the subsequent years.

The other, more common type of trust is the nongrantor lead trust, where the remainder beneficiary is not the donor (usually a child or grandchild of the donor is named as the remainderman). Nongrantor trusts have no immediate tax ramifications to the donor; instead, the tax benefits are the reduction of estate taxes, and the reduction or possible elimination of gift taxes. In establishing a charitable lead trust, a donor transfers assets out of his or her estate and into the trust, immediately reducing the value of the donor's estate (and any estate tax liability). Furthermore, the donor is liable for gift taxes based on the value of the assets, but this amount is discounted because the noncharitable beneficiary will not receive the assets until some point in the future. Also, the donor is entitled to take an immediate gift-tax deduction based on the present value of the stream of income to be paid to the charitable recipient.

For Tax Year 2001, some 5,292 charitable lead trusts filed Form 5227. This represents an increase of 15.8 percent from the number of lead trusts that filed for 2000, an increase more than twice as large as that for any other type of split-interest trust. The majority of the trusts were small and medium-sized, having less than \$3.0 million in assets. The remaining 13.8 percent (731 trusts) were large lead trusts.

Balance Sheets

The amount of end-of-year total assets (book value) reported by charitable lead trusts in 2001 was \$15.1

Split-Interest Trusts, 2001

billion (Figure J), an increase of 39.5 percent from the previous year. Investments comprised 87.2 percent of the total assets. As usual, the largest trusts held the majority of the assets (77.7 percent, or \$11.7 billion) and investments (78.2 percent, or \$10.3 billion). Unlike in 2000, when midsized lead trusts had about 10 percent more of their investments in securities than small or large trusts, small and mid-sized trusts had over 78.0 percent of their investments in securities in 2001, while the largest trusts had only 53.6 percent of their investments as securities.

For 2001, charitable lead trusts reported \$748.6 million in total liabilities, or about 5.0 percent of total assets. Unlike in 2000, when the smallest trusts had the highest ratio of liabilities to assets, midsized trusts had the highest ratio of liabilities to assets in 2001, at 11.6 percent, compared to small trusts (2.5 percent) and large trusts (3.4 percent) [13].

Distributions

Lead trusts distributed a total of \$917.7 million in 2001 (Figure K) [14]. The distributions were virtually all (99.9 percent) paid to charitable entities, for all sizes of trusts. The largest trusts, despite being only 13.8 percent of the total number of trusts, were responsible for 64.7 percent of all distributions made to charities. Small and midsized trusts comprised 6.5 percent and 28.9 percent of total distributions to charities, respectively.

Pooled Income Funds

Background

Pooled income funds can be thought of as mutual funds that are created and maintained by a charitable organization. Donors contribute assets to the fund, and in return receive lifetime income payments. The

Figure J

Charitable Lead Trusts: Book Value Balance Sheet Information, by Size of Book Value of Total Assets, 2000 and 2001

[Money amounts are in thousands of dollars]

Item	Total			Size of book value of total assets (2001)		
	2000	2001	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.....	4,571	5,292	15.8	2,085	2,476	731
Total assets (end-of-year).....	10,810,272	15,075,433	39.5	451,008	2,913,366	11,711,058
Total investments ²	9,274,456	13,146,467	41.7	369,678	2,499,773	10,277,016
Securities ³	6,852,940	7,755,861	13.2	290,536	1,958,958	5,506,366
Total liabilities.....	674,244	748,613	11.0	*11,427	336,897	400,289

Ratio expressed as a percentage	Total			Size of book value of total assets (2001)		
	2000	2001	Percentage 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	85.8	87.2	1.4	82.0	85.8	87.8
Securities/total investments ^{2,3}	73.9	59.0	-14.9	78.6	78.4	53.6
Total liabilities/total assets.....	6.2	5.0	-1.2	2.5	11.6	3.4

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

¹ Includes 172 returns that did not report end-of-year book value of total assets (line 37, column (b)) from the balance sheet, or that reported the amount as zero.

Often, this amount is reported as zero for those trusts filing a final return. In those cases, the trusts reported having assets at the beginning of the year, but nothing at the end of the year.

² Calculated as the sum of "U.S. and State government obligations" (line 32a), "corporate stock" (line 32b), "corporate bonds" (line 32c), "investments--land, buildings, and equipment" (line 33), and "other investments" (line 34).

³ Calculated as the sum of "U.S. and State government obligations" (line 32a), "corporate stock" (line 32b), and "corporate bonds" (line 32c).

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

Split-Interest Trusts, 2001

Figure K

Charitable Lead Trusts: Distributions, by Size of Book Value of Total Assets, 2001

[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	5,292	2,085	2,476	731
Total distributions ^{2,3}	917,700	59,322	264,898	593,479
Required payment for charitable purposes	917,388	59,322	264,586	593,479
Required payment to charitable beneficiaries.....	911,257	59,322	263,397	588,538
Required excess income payments.....	6,131	--	1,189	4,942
Required payments to private beneficiaries	312	--	312	--

¹ Includes 172 returns that did not report end-of-year book value of total assets (line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, this amount is reported as zero for those trusts filing a final return. In those cases, the trusts reported 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, Section A, the Questionnaire for Charitable Lead Trusts.

³ "Total distributions" are calculated as the sum of "excess income required to be paid for charitable purposes for 2001" (line 2), "annuity or unitrust payments required to be paid to charitable beneficiaries for 2001" (line 3), and "annuity or unitrust payments required to be paid to private beneficiaries" (line 4).

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

assets of all donors are commingled and invested together as a pool, and each donor's income stream is calculated as a pro-rata share of the investment pool. When a given donor passes away, his or her prorated share of the investment pool is removed from the fund and given to the charity itself.

For the year in which a contribution is made to a pooled income fund, the donor is entitled to a tax deduction based on the estimated remainder value of the gift to the charity [15]. There are limits on the amount of the tax deduction that can be taken (50.0 percent of adjusted gross income for cash gifts, or 30.0 percent of adjusted gross income for gifts of appreciated assets); however, any excess deduction amount can be carried forward for up to 5 years. No capital gain taxes are paid by donors on appreciated assets, which allows them to benefit from the assets without paying the usual taxes. All distributions made to private beneficiaries are considered as ordinary income to those recipients, and are reported and taxed as such.

Pooled income funds are the smallest group of trusts filing Form 5227--there were only 1,698 returns filed for pooled income funds for Tax Year 2001. As in 2000, the large majority of pooled income funds were small funds (1,346 filers, or 79.3 percent of the total); midsized funds comprised 14.7 percent (249

funds) of all filers; and only 6.1 percent (103 funds) were large funds.

Much in the manner of charitable lead trusts, pooled income funds are required only to report book value balance sheet information, additional contributions received during the course of the filing year, and distribution information from the Questionnaire for Pooled Income Funds (Part VII-B). Pooled income funds are not required to report either income or accumulation information in any way.

Balance Sheets

Pooled income funds reported holding \$1.7 billion in assets for 2001, an increase of 6.9 percent from 2000 (Figure L). About 92.5 percent, or \$1.6 billion, of assets were reported as investments. The small funds, while the most numerous, held a very small percentage of the aggregate total assets (only 9.4 percent). The midsized funds held 20.3 percent of the total assets. Large funds, which are only 6.1 percent of the total number of filers, held a disproportionately high 70.3 percent of total assets. Midsized funds reported the greatest percentage of investments held in securities (80.4 percent), while large trusts reported the smallest percentage (69.6 percent).

Similar to 2000, pooled income funds reported very little in total liabilities. Overall, only \$17.8 million

Split-Interest Trusts, 2001

Figure L

Pooled Income Funds: Book Value Balance Sheet Information, by Size of Book Value of Total Assets, 2000 and 2001

[Money amounts are in thousands of dollars]

Item	Total			Size of book value of total assets (2001)		
	2000	2001	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	1,634	1,698	3.9	1,346	249	103
Total assets (end-of-year).....	1,585,832	1,695,183	6.9	158,703	344,905	1,191,575
Total investments ²	1,446,145	1,568,301	8.4	143,118	327,551	1,097,631
Securities ³	1,064,994	1,129,878	6.1	102,847	263,218	763,813
Total liabilities.....	20,887	17,789	-14.8	*268	*546	16,974

Ratio expressed as a percentage	Total			Size of book value of total assets (2001)		
	2000	2001	Percentage 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	91.2	92.5	1.3	90.2	95.0	92.1
Securities/total investments ^{2,3}	73.6	72.0	-1.6	71.9	80.4	69.6
Total liabilities/total assets.....	1.3	1.0	-0.3	0.2	0.2	1.4

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

¹ Includes 52 returns that did not report end-of-year book value of total assets (line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, this amount is reported as zero for those funds filing a final return. In those cases, the funds reported having assets at the beginning of the year, but nothing at the end of the year.

² Calculated as the sum of "U.S. and State government obligations" (line 32a), "corporate stock" (line 32b), "corporate bonds" (line 32c), "investments--land, buildings, and equipment" (line 33), and "other investments" (line 34).

³ Calculated as the sum of "U.S. and State government obligations" (line 32a), "corporate stock" (line 32b), and "corporate bonds" (line 32c).

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

were reported, a 14.8-percent decrease from the prior year and only 1.0 percent of total assets. Small and midsized funds reported liabilities of only 0.2 percent of total assets, while the largest funds reported liabilities of 1.4 percent of their total assets.

Contributions and Distributions

The amount of money contributed to pooled income funds during 2001 decreased by 12.5 percent, from \$125.2 million in 2000 to \$109.6 million in 2001 (Figure M). What is interesting to note is that, while the amount contributed to the smallest and largest funds decreased, midsized funds actually reported a 33.3-percent increase in contributions (from \$13.4 million in 2000 to \$17.8 million in 2001). Regardless, the largest funds received the greatest amount of contributions (\$88.8 million, or 81.1 percent of all contributions received).

Over \$128.8 million were distributed by pooled income funds in 2001 [16]. Not surprisingly, large

trusts were responsible for 69.7 percent of total distributions, or \$89.8 million. Distributions to charitable organizations comprised 41.4 percent of total distributions, although that figure was somewhat higher for small funds, which reported that 48.3 percent of their total distributions were made to charity.

Summary

Split-interest trusts remained an increasingly popular option for planned giving in 2001. Overall, the number of split-interest trusts increased by 6.0 percent. Charitable remainder unitrusts remained especially popular (75.0 percent of all split-interest trusts); yet the greatest numerical increase was for charitable lead trusts (15.8 percent). The vast majority of both charitable remainder annuity trusts and pooled income funds were small trusts with under \$500,000 in book value of total assets (82.1 percent and 79.3 percent, respectively). Charitable remainder unitrusts were also skewed in favor of the

Split-Interest Trusts, 2001

Figure M

Pooled Income Funds: Distributions, by Size of Book Value of Total Assets, 2001

[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	1,698	1,346	249	103
Total distributions ²	128,807	12,656	26,393	89,758
Total distributions for charitable purposes ^{3,4}	53,370	6,115	10,996	36,258
Total required payments for charitable purposes ⁵	56,596	6,115	12,159	38,322
Undistributed required payments for charitable purposes ⁶	3,226	--	1,162	2,064
Distributions to private beneficiaries ⁷	75,437	6,540	15,397	53,499
Contributions received during 2001	109,555	2,913	17,803	88,839

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 ^{3,4}	41.4	48.3	41.7	40.4
Distributions to private beneficiaries/total distributions ⁷	58.6	51.7	58.3	59.6
Distributions for charitable purposes/distributions to private beneficiaries ^{3,4,6}	70.7	93.5	71.4	67.8

¹ Includes 52 returns that did not report end-of-year book value of total assets (line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, this amount is reported as zero for those funds filing a final return. In those cases, the funds reported having assets at the beginning of the year, but nothing at the end of the year.

² Distributions were calculated as "amount required to be distributed to satisfy the remainder interest" (line 2), less "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 Form 5227, Part VII, Section B, the Questionnaire for Pooled Income Funds.

³ All distribution information is taken from Form 5227, Part VII-b, Questionnaire for Pooled Income Funds.

⁴ Calculated as the "amount required to be distributed for 2001 to satisfy the remainder interest" (line 2), plus the "amount of income required to be paid to the charitable remainder beneficiary for 2001" (line 5), less the "amounts that were required to be distributed to the remainder beneficiary that remain undistributed" (line 3).

⁵ Calculated as the sum of the "amount required to be distributed for 2001 to satisfy the remainder interest" (line 2), and the "amount of income required to be paid to the charitable remainder beneficiary for 2001" (line 5).

⁶ Taken from Form 5227, Part VII, Section B, line 3.

⁷ Taken from Form 5227, Part VII, Section B, line 4.

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

small trusts, but not as strongly (68.7 percent). In contrast, the majority of charitable lead trusts were midsized trusts with between \$500,000 and \$3.0 million in book value of total assets (46.8 percent).

All split-interest trusts had most of their assets in investments, but this percentage was highest for pooled income funds (92.5 percent). Except for pooled income funds (which tended to split their investments relatively evenly among corporate stock, corporate bonds, and other investments including land, buildings, and equipment held for investment purposes), split-interest trusts had the majority of their assets in corporate stock. After corporate stock, charitable remainder unitrusts and charitable

lead trusts tended to favor other investments (including land, buildings, and equipment held for investment purposes). Charitable remainder annuity trusts, while keeping the majority of their investments in corporate stock, split their remaining investments fairly equally between government obligations, corporate bonds, and other investments including land, buildings, and equipment held for investment purposes.

Of the total net income reported by charitable remainder annuity and unitrusts, net long-term capital gains were the largest component (83.4 percent and 84.1 percent, respectively). More interesting to note are the large changes in the amount of net short-term capital losses reported. Charitable remainder annuity

Split-Interest Trusts, 2001

trusts reported approximately \$135.8 million in short-term capital losses for 2001, compared with only \$15.1 million in losses for 2000. For charitable remainder unitrusts, the losses were even more pronounced—overall, unitrusts reported \$389.6 million in short-term capital losses in 2001, compared with net long-term capital gains of \$78.5 million in 2000.

Data Sources and Limitations

All statistics presented in this article were taken from a sample of Forms 5227, *Split-Interest Trust Information Return*, filed during Calendar Year 2002. All charitable remainder trusts, charitable lead trusts, and pooled income funds that had financial activity during Calendar Year 2001 were required to file this form. Partial-year returns, for either initial or final reporting periods, were included in the sample. The sample also includes returns for reporting periods other than 2001, including any late-filed returns for prior reporting periods, as well as early filed returns for subsequent reporting periods. 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 2001, a sample of 11,905 returns was drawn from an estimated population of 120,385 trusts that filed Form 5227. The sample size excludes returns that were selected for the sample but later rejected. Returns could be rejected if they were not one of the four types of trusts included in the study, if the returns were blank (with no money amounts reported), or if there were overwhelming reporting errors. The sample was drawn, based on the type of trust (charitable remainder annuity trust, charitable remainder unitrust, charitable lead trust, or pooled income fund) and on the reported end-of-year total assets (book value). The four asset strata were: total assets of less than \$1.0 million, from \$1.0 million to less than \$10.0 million, and more than \$10.0 million in total assets. A fourth asset category included all trusts that reported end-of-year book value of total assets as less than \$10.0 million, but reported end-of-year fair market value of total assets in excess of \$50.0 million., for a total of 16 strata. There were an estimated 22,958 charitable remainder annuity trusts, which were sampled at rates ranging from 5.2 percent (for the smallest) to 100.0 percent (for the largest), resulting in a sample of 2,197 returns. There were an estimated 89,874

charitable remainder unitrusts, sampled at rates from 4.2 percent to 100.0 percent, creating a sample of 8,976 returns. There were an estimated 5,292 charitable lead trusts, from which a sample of 546 was drawn. Lead trusts were sampled at rates ranging from 1.7 percent to 100.0 percent. There were 1,698 pooled income funds, of which 186 were included in the sample. Pooled income funds had sample rates from 3.9 percent to 100.0 percent. For all trust types, trusts in the fourth asset category were sampled at 100.0 percent. The magnitude of sampling error for selected items, measure by coefficients of variation, is shown in Figure N.

Due to inconsistencies in the data reported on the Current Distributions Schedule (Part III of Form 5227), all distribution information for charitable remainder trusts is derived from the Accumulations Schedule (Part II). Also, data from the Charitable Remainder Annuity Trust and Charitable Remainder Unitrust sections (Parts V-A and V-B, respectively) have not been presented due to the inconsistencies in taxpayer reported data in these sections.

All 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. Changes that were made to the return after filing, either by the taxpayer (on an amended return) or during IRS administrative processing were not generally 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 the sample estimates can be found in the Appendix in this issue of the *SOI Bulletin*.

Explanation of Selected Terms

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 a charitable remainder trust (with a private income beneficiary) or charitable lead trust (with a charitable income beneficiary). The payment amount is determined by multiplying a specified percentage by the fair market value of the assets initially placed in the trust.

Beneficiary(ies) refers to the person, persons, or organization that receive payments or assets from a

Split-Interest Trusts, 2001

Figure N

Coefficients of Variation for Selected Items of Split-Interest Trusts, by Type of Trust, 2001

Item	Charitable remainder trusts		Charitable lead trusts	Pooled income funds
	Annuity trusts	Unitrusts		
Percentages				
	(1)	(2)	(3)	(4)
Net ordinary income ¹	8.18	1.93	N/A	N/A
Net short-term capital gain income (loss) ²	7.55	10.09	N/A	N/A
Net long-term capital gain income (loss) ³	5.74	1.86	N/A	N/A
End-of-year total assets (book value) ⁴	1.72	0.53	1.98	3.14
End-of-year total assets (FMV) ⁵	N/A	0.69	N/A	N/A
End-of-year total liabilities (book value) ⁶	32.27	2.91	38.16	3.02
End-of-year total liabilities (FMV) ⁷	N/A	2.43	N/A	N/A
Required payment to private beneficiaries ⁸	N/A	N/A	**	3.37
Required payment to charitable beneficiaries ⁹	N/A	N/A	5.44	N/A

N/A--Not applicable.

**Data deleted to prevent disclosure of individual taxpayer data.

¹ Taken from Form 5227, Part I, line 13.

² Taken from Form 5227, Part I, line 16.

³ Taken from Form 5227, Part I, line 19.

⁴ Taken from Form 5227, Part IV, line 37, column (b).

⁵ Taken from Form 5227, Part IV, line 37, column (c).

⁶ Taken from Form 5227, Part IV, line 43, column (b).

⁷ Taken from Form 5227, Part IV, line 43, column (c).

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

⁹ Taken from Form 5227, Part VII, Section A, line 3.

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

trust. *Recipient* is used interchangeably with beneficiary. Beneficiaries can be either charitable or noncharitable (private), and can be either an income beneficiary or a remainder beneficiary.

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 values 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 name the donor (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. The income generated is paid to a designated charitable beneficiary.

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 name as the remainder beneficiary a recipient other than the grantor (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.

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 are split-interest trusts in which a private, or noncharitable, beneficiary receives a stream of income for the duration of the

Split-Interest Trusts, 2001

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. Further, unitrusts can be of the net income or net income with makeup variety.

A *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.

A *charity, or charitable organization*, refers to a tax-exempt organization with purposes that are charitable, educational, scientific, literary, or religious in nature, or that otherwise qualifies as 501(c)(3) organization.

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

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

The *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 (noncharitable) beneficiary; in charitable lead trusts, the income beneficiary is the designated charitable organization.

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

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

Ordinary income is income from the following sources: interest; dividends; business income; rents, royalties, partnerships, and other estates and trusts; farm income; ordinary gain; and 'other income.' Ordinary income is reported in Part I, Ordinary Income, of Form 5227.

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.

The *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.

The *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 have been made. This interest is then distributed to the remainder beneficiary.

Securities refer to the sum of "Government obligations" (line 32a); "corporate stock" (line 32b); and "corporate bonds" (line 32c) reported on Form 5227.

A *split-interest trust*, according to the 2001 *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)."

Split-Interest Trusts, 2001

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 and beneficiary. The conditions and provisions of a trust are defined in the trust document.

A *unitrust* is a trust in which the income interest, paid either to a private or charitable beneficiary, varies 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 (with income payments to a private beneficiary) or charitable lead trust (with income payments to a charitable beneficiary) 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 additional split-interest trust data reported for Tax Year 2000, see Belvedere, Melissa, "Split-interest Trusts, 2000," *Statistics of Income Bulletin*, Spring 2003, Volume 22, Number 4.
- [2] Data for all trusts are presented in terms of the amount of reported end-of-year total assets (book value). This is reported on Form 5227, Part IV, Column B, line 37, which must be filed for all trusts. The same method for differentiating trust sizes was used for Study Year 2000, and comparison with the prior year's data is straightforward. However, caution must be used when comparing data to Study Years 1998 or 1999 because, for those years, the size was based on the end-of-year fair market value of total assets. This amount is reported on Form 5227, in the top section of page 1, in Box C. For reference, Form 5227 and its instructions can be downloaded from the Internet using the IRS web page, <http://www.irs.gov/formspubs/lists/0,,id=97817,00.html>.
- [3] Trusts that do not report end-of-year total assets, or that report the amount as zero, are often final-year filers. In those instances, the trusts usually report asset amounts for the

beginning of the year, but, as they have terminated, there are no trust assets to report for the end of the year.

- [4] For an indepth explanation of the finer points 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] All data discussed in this section pertain to book value amounts. Charitable remainder annuity trusts are not required to report the fair market value of their end-of-year assets, as it is not necessary when calculating the annuity trust payment amount. Some annuity trusts do opt to report the fair market value of their assets, but, for consistency this study does not collect data on fair market value of assets for annuity trusts.
- [6] Data for end-of-year total liabilities (book value) for charitable remainder annuity trusts should be used with caution because of the relatively large coefficient of variation (CV) associated with it. For CV's on other, selected data items, see Figure N.
- [7] Because of the oddity of the large decrease in reported total liabilities, the sample was checked for any data inconsistencies, but none was found. Population data from the IRS Business Returns Transaction File are consistent with the data estimates from the study sample.
- [8] A trust's accumulations are the sum of its undistributed income from prior years and the income reported in the current year. Accumulations must be reported only by Section 664 trusts, or charitable remainder annuity trusts and charitable remainder unitrusts. The Accumulation Schedule (Part II of Form 5227) is used to report and compute undistributed income from prior years and current accumulations.
- [9] Distribution amounts for charitable remainder annuity trusts and unitrusts have been calculated

Split-Interest Trusts, 2001

(for the purpose of this article) using Part II, the Accumulation Schedule. Distributions from each source of income are calculated as the difference between “total accumulations” (line 22) and “undistributed at end of tax year” (line 23). Total distributions for charitable remainder trusts are calculated as the sum of distributions from each income source.

- [10] Population data from the IRS Business Returns Transaction File are consistent with the data estimates from the Form 5227 study sample. While most U.S. stock market funds experienced sizable losses for 2001, the losses reported by charitable remainder annuity trusts were comparatively high.
- [11] Nontaxable income is generally defined as income from sources specifically excluded from gross income when computing taxable liability, as defined in Sections 131 through 139 of the Internal Revenue Code. Split-interest trusts do not have to itemize income resulting from excluded items; rather, they must report only total nontaxable income on the Accumulation Schedule. Nontaxable income can come from, among other sources, interest on State and local bonds.
- [12] All of the data were checked for inconsistencies and inaccuracies, and the IRS Business Returns Transactions File was consistent with the study findings.
- [13] Data for end-of-year total liabilities (book value) for charitable lead trusts should be used with caution because of the relatively large coefficient of variation (CV) associated with it. For CV's on other, selected data items, see Figure N.

- [14] Distributions made by charitable lead trusts are taken from Form 5227, Part VII-A, the Questionnaire for Charitable Lead Trusts. The amount distributed to private beneficiaries is taken from the “amount of annuity or unitrust payments required to be paid to private beneficiaries” (line 4). The amount distributed to charitable beneficiaries is calculated as the sum of “amount of excess income required to be paid to charitable beneficiaries” (line 2) and the “amount of annuity or unitrust payment required to be paid to charitable beneficiaries” (line 3).
- [15] The estimated remainder value of the gift to the charity is calculated, using such variables as the value of donated assets, the age of the noncharitable beneficiary(ies), the type of fund and its earnings, and the Internal Revenue Service discount rate. The discount rate is the assumed rate of return required by the IRS to be used for determining the actuarial value of the future value of assets in a trust (among other things).
- [16] Distributions made by pooled income funds are taken from Form 5227, Part VII-B, the Questionnaire for Pooled Income Funds. The amount distributed to private beneficiaries is taken from the “amount of income required to be paid to private beneficiaries” (line 4). The amount distributed to charitable beneficiaries is calculated as the “amount required to be distributed for 2001 to satisfy the remainder interest” (line 2), plus the “amount of income required to be paid to the charitable remainder beneficiary for 2001” (line 5), less the “amounts that were required to be distributed to the remainder beneficiary that remain undistributed” (line 3).

SOURCE: IRS, Statistics of Income Winter 2003-2004 Bulletin, Publication 1136.

Split-Interest Trusts, 2001

Table 1.--Charitable Remainder Annuity Trusts: Income and Deduction Information, by Size of Book Value of Total Assets, 2001

[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)
Number of returns	22,958	847	18,001	2,022	1,642	358	88
Total net income ²	1,024,754	318,827	114,068	126,458	187,683	155,242	122,476
Net ordinary income ³	305,674	34,884	73,001	36,348	65,241	56,051	40,148
Total ordinary income ⁴	383,772	44,258	86,949	45,693	80,965	65,818	60,088
Interest income.....	200,028	22,293	37,345	24,859	39,640	34,698	41,192
Dividends and business income (loss).....	153,681	17,944	35,397	18,687	33,938	25,634	22,081
Other income ⁵	30,062	*4,021	14,207	*2,147	7,387	5,485	-3,184
Total deductions allocable to ordinary income ⁶	78,097	9,373	13,948	9,345	15,724	9,767	19,940
Interest.....	1,363	***160	**379	***464	177	636	*56
Taxes.....	857	**	**	**	210	120	17
Other deductions.....	75,878	9,213	13,568	8,882	15,336	9,011	19,867
Net short-term capital gain income (loss) ⁷	-135,825	**29,740	**12,099	**13,617	-27,344	-18,805	-34,221
Total short-term capital gain income (loss).....	-135,135	**	**	**	-27,206	-18,775	-34,170
Deductions allocable to short-term capital gain income (loss).....	690	**	**	**	138	31	51
Net long-term capital gain income (loss) ⁸	854,905	313,683	53,165	103,727	149,785	117,997	116,549
Total long-term capital gain income (loss) ⁹	860,450	314,589	54,751	104,572	150,742	118,509	117,287
Deductions allocable to long-term capital gain income (loss).....	5,545	*906	1,585	845	957	513	739

*Estimate should be used with caution because of the small number of 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 reported their 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 those cases, the trusts reported 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, Part I, line 8.

⁵ Calculated as 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, Part I, line 12.

⁷ Taken from Form 5227, Part I, line 16. Includes losses.

⁸ Taken from Form 5227, Part I, line 19. Includes losses.

⁹ Taken from Form 5227, Part I, line 17a. Includes losses.

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

Split-Interest Trusts, 2001

Table 2.--Charitable Remainder Annuity Trusts: Accumulation and Distribution Information, by Size of Book Value of Total Assets, 2001

[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.....	22,958	847	18,001	2,022	1,642	358	88
Total accumulations ².....	7,167,364	987,074	1,167,439	830,009	1,474,496	1,318,778	1,389,568
Net ordinary income.....	664,921	68,470	113,591	50,775	129,742	150,451	151,892
Net short-term capital gain (loss).....	-48,301	-17,774	15,114	-11,101	-13,177	-10,519	-10,844
Net long-term capital gain (loss).....	6,126,343	784,949	989,257	772,456	1,298,203	1,082,992	1,198,486
Nontaxable income.....	424,401	151,428	49,476	17,879	59,728	95,855	50,034
Prior-year undistributed income ³.....	6,084,670	664,463	1,041,341	695,391	1,272,046	1,152,994	1,258,434
Net ordinary income.....	359,247	33,586	40,590	14,427	64,500	94,400	111,744
Net short-term capital gain (loss).....	87,524	11,966	27,213	2,516	14,166	8,286	23,377
Net long-term capital gain (loss).....	5,271,437	471,266	936,091	668,730	1,148,418	964,995	1,081,937
Nontaxable income.....	366,462	147,645	37,447	9,719	44,962	85,313	41,377
Current-year net income ⁴.....	1,082,693	322,611	126,097	134,618	202,449	165,784	131,134
Net ordinary income.....	305,674	34,884	73,001	36,348	65,241	56,051	40,148
Net short-term capital gain (loss).....	-135,825	-29,740	-12,099	-13,617	-27,344	-18,805	-34,221
Net long-term capital gain (loss).....	854,905	313,683	53,165	103,727	149,785	117,997	116,549
Nontaxable income.....	57,939	3,784	12,029	8,160	14,766	10,542	8,658
Current-year distributions ⁵.....	1,700,026	962,372	166,709	103,677	169,401	139,892	157,975
Net ordinary income.....	336,230	68,110	69,638	38,552	63,734	45,560	50,636
Net short-term capital gain (loss).....	-57,054	-23,597	255	-9,052	-11,839	-8,026	-4,794
Net long-term capital gain (loss).....	1,165,116	769,919	86,127	66,935	106,142	62,593	73,400
Nontaxable income.....	255,734	147,940	10,689	7,242	11,364	39,765	38,733
Undistributed at end of year ⁶.....	5,467,338	24,701	1,000,730	726,332	1,305,095	1,178,886	1,231,594
Net ordinary income.....	328,691	361	43,953	12,223	66,007	104,890	101,256
Net short-term capital gain (loss).....	8,753	5,823	14,859	-2,049	-1,338	-2,493	-6,049
Net long-term capital gain (loss).....	4,961,227	15,030	903,130	705,521	1,192,061	1,020,399	1,125,086
Nontaxable income.....	168,667	3,488	38,786	10,637	48,364	56,090	11,301

¹ Includes returns that reported their 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 those cases, the trusts reported having assets at the beginning of the year, but nothing at the end of the year.

² Taken from Form 5227, Part II, line 22.

³ Taken from Form 5227, Part II, line 20.

⁴ Taken from Form 5227, Part II, line 21.

⁵ All reported distribution amounts are calculated as the difference of "total accumulations" (line 22) less "undistributed at end of tax year" (line 23).

⁶ Taken from Form 5227, Part II, line 23.

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

Split-Interest Trusts, 2001

Table 3.--Charitable Remainder Annuity Trusts: Book Value Balance Sheet Information, by Size of Book Value of Total Assets, 2001

[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	\$1,000,000	\$3,000,000	\$10,000,000
		\$500,000 ¹	under	under	under	or more
(1)	(2)	(3)	(4)	(5)	(6)	
Number of returns.....	22,958	18,848	2,022	1,642	358	88
Total net assets (end-of-year) ².....	9,879,948	2,132,763	1,468,680	2,446,026	1,752,166	2,080,314
Total liabilities and net assets (end-of-year) ³.....	10,162,445	2,169,903	1,480,172	2,626,764	1,784,594	2,101,011
Total assets (end-of-year).....	10,177,555	2,177,248	1,480,085	2,634,446	1,784,793	2,100,983
Cash.....	154,628	31,011	31,040	29,224	33,972	29,380
Savings and temporary cash investments.....	744,072	140,301	67,556	201,368	193,816	141,031
Receivables due ⁴	349,303	78,189	**49,881	72,432	**73,677	**75,193
Inventories and prepaid expenses.....	1,204	*42	**	1,092	**	**
Total investments.....	8,695,625	1,855,759	1,293,290	2,244,019	1,462,437	1,840,120
Securities.....	7,070,450	1,462,180	1,086,846	1,898,131	1,245,515	1,377,778
Government obligations.....	1,781,386	256,820	254,821	566,191	331,799	371,756
Corporate stock.....	3,901,970	863,777	634,647	1,024,872	646,263	732,411
Corporate bonds.....	1,387,094	341,583	197,379	307,069	267,453	273,610
Land, buildings, and equipment.....	106,083	23,715	**	41,761	39,989	**
Other investments.....	1,519,092	369,865	**206,444	304,127	176,932	**462,343
Charitable purpose land, buildings, and equipment.....	28,715	*5,684	--	21,456	*1,575	--
Other assets.....	204,002	66,258	38,316	64,854	19,316	15,257
Total liabilities (end-of-year).....	210,572	36,194	11,493	122,152	32,428	8,305
Accounts payable, accrued expenses, and deferred revenue.....	50,220	12,275	9,726	6,496	16,986	4,736
Loans from disqualified persons, mortgages, and notes payable...	8,322	*3,897	--	*3,770	**	**
Other liabilities.....	152,030	20,022	1,766	111,886	**15,441	**3,568

*Estimate should be used with caution because of the small number of 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 847 returns that did not report end-of-year book value of total assets (line 37, column (b)), or that reported the amount as zero. Often, this amount is reported as zero for those trusts filing a final return. In those cases, the trusts reported having assets at the beginning of the year, but nothing at the end of the year.

² Taken from Form 5227, Part IV, line 46, column (b).

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 discrepancies.

⁴ 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, 2001

Table 4.--Charitable Remainder Unitrusts: Income and Deduction Information, by Size of Book Value of Total Assets, 2001

[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	89,874	2,032	59,700	14,463	10,011	2,895	773
Total net income ²	10,661,493	39,622	754,757	744,104	1,186,821	1,334,295	6,601,893
Net ordinary income ³	2,094,723	50,573	316,961	264,462	375,465	335,998	751,263
Total ordinary income ⁴	2,892,182	56,565	405,814	344,229	490,022	417,714	1,177,838
Interest income.....	1,310,052	11,210	145,032	137,865	210,423	169,442	636,080
Dividends and business income (loss).....	1,207,978	10,569	190,456	162,022	233,287	206,394	405,250
Other income ⁵	374,150	*34,786	70,324	44,342	46,312	41,878	136,508
Total deductions allocable to ordinary income ⁶	797,456	5,992	88,851	79,766	114,557	81,716	426,575
Interest.....	34,620	**	**	999	4,126	1,942	26,885
Taxes.....	7,001	**16	**1,406	874	1,622	1,459	2,292
Other deductions.....	755,835	5,976	87,445	77,893	108,808	78,315	397,399
Net short-term capital gain income (loss) ⁷	-398,586	** -7,261	** -144,353	-213,145	-282,912	-232,527	481,612
Total short-term capital gain income (loss).....	-385,829	**	**	-212,004	-281,586	-231,590	490,220
Deductions allocable to short-term capital gain income (loss).....	12,757	**	**	1,141	1,327	937	8,608
Net long-term capital gain income (loss) ⁸	8,965,355	-3,691	582,149	692,787	1,094,268	1,230,824	5,369,018
Total long-term capital gain income (loss) ⁹	9,018,735	-3,383	592,310	701,112	1,105,503	1,237,951	5,385,241
Deductions allocable to long-term capital gain income (loss)	53,379	*308	10,161	8,325	11,235	7,127	16,223

*Estimate should be used with caution because of the small number of 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 reported their 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 those cases, the trusts reported 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, Part I, line 8.

⁵ Calculated as 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, Part I, line 12.

⁷ Taken from Form 5227, Part I, line 16. Includes losses.

⁸ Taken from Form 5227, Part I, line 19. Includes losses.

⁹ Taken from Form 5227, Part I, line 17a. Includes losses.

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

Split-Interest Trusts, 2001

Table 5.--Charitable Remainder Unitrusts: Accumulation and Distribution Information, by Size of Book Value of Total Assets, 2001

[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)
Number of returns.....	89,874	2,032	59,700	14,463	10,011	2,895	773
Total accumulations ².....	67,090,027	639,519	7,009,289	7,248,238	11,801,374	11,892,344	28,499,262
Net ordinary income.....	3,699,061	60,140	428,455	364,656	550,905	522,520	1,772,386
Net short-term capital gain (loss).....	1,587,300	905	-49,913	-144,112	-67,539	-3,546	1,851,505
Net long-term capital gain (loss).....	61,335,940	541,092	6,584,375	6,986,907	11,199,678	11,284,211	24,739,676
Nontaxable income.....	467,727	37,382	46,372	40,787	118,330	89,159	135,695
Prior-year undistributed income ³.....	56,323,753	600,495	6,244,735	6,493,357	10,591,350	10,532,829	21,860,987
Net ordinary income.....	1,604,337	9,567	111,493	100,193	175,439	186,522	1,021,123
Net short-term capital gain (loss).....	1,986,008	8,165	94,440	69,033	215,495	228,981	1,369,893
Net long-term capital gain (loss).....	52,369,918	544,783	6,002,225	6,294,120	10,104,745	10,053,387	19,370,658
Nontaxable income.....	363,491	37,980	36,577	30,011	95,670	63,939	99,314
Current-year net income ⁴.....	10,766,272	39,024	764,553	754,881	1,210,025	1,359,515	6,638,275
Net ordinary income.....	2,094,724	50,573	316,962	264,462	375,465	335,998	751,263
Net short-term capital gain (loss).....	-398,708	-7,261	-144,353	-213,145	-283,034	-232,527	481,612
Net long-term capital gain (loss).....	8,966,021	-3,691	582,149	692,787	1,094,934	1,230,824	5,369,018
Nontaxable income.....	104,236	-598	9,795	10,777	22,660	25,220	36,381
Current-year distributions ⁵.....	6,653,111	586,142	848,075	798,526	1,270,008	1,123,034	2,027,326
Net ordinary income.....	1,907,804	37,763	327,613	268,648	392,261	327,833	553,687
Net short-term capital gain (loss).....	-702,933	1,274	-58,087	-110,252	-143,757	-131,681	-260,431
Net long-term capital gain (loss).....	5,328,835	523,206	569,497	629,195	995,986	915,042	1,695,908
Nontaxable income.....	119,405	23,899	9,053	10,934	25,518	11,840	38,161
Undistributed at end of year ⁶.....	60,436,916	53,377	6,161,214	6,449,713	10,531,366	10,769,310	26,471,936
Net ordinary income.....	1,791,256	22,377	100,842	96,008	158,644	194,687	1,218,699
Net short-term capital gain (loss).....	2,290,233	-370	8,175	-33,860	76,218	128,135	2,111,936
Net long-term capital gain (loss).....	56,007,104	17,886	6,014,878	6,357,712	10,203,692	10,369,169	23,043,768
Nontaxable income.....	348,322	13,484	37,319	29,853	92,812	77,319	97,534

¹ Includes returns that reported their 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 those cases, the trusts reported having assets at the beginning of the year, but nothing at the end of the year.

² Taken from Form 5227, Part II, line 22.

³ Taken from Form 5227, Part II, line 20.

⁴ Taken from Form 5227, Part II, line 21.

⁵ All reported distribution amounts are calculated as the difference of "total accumulations" (line 22) less "undistributed at end of tax year" (line 23).

⁶ Taken from Form 5227, Part II, line 23.

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

Split-Interest Trusts, 2001

Table 6.--Charitable Remainder Unitrusts: Book Value Balance Sheet Information, by Size of Book Value of Total Assets, 2001

[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	\$1,000,000	\$3,000,000	\$10,000,000
		\$500,000 ¹	under	under	under	or more
(1)	(2)	(3)	(4)	(5)	(6)	
Number of returns.....	89,874	61,732	14,463	10,011	2,895	773
Total net assets (end-of-year) ².....	82,577,202	11,290,057	10,222,096	16,020,701	14,309,083	30,735,265
Total liabilities and net assets (end-of-year) ³.....	84,095,438	11,440,977	10,327,748	16,243,639	14,552,715	31,530,359
Total assets (end-of-year).....	84,282,040	11,464,933	10,341,619	16,305,939	14,569,875	31,599,675
Cash.....	1,507,575	231,776	182,373	321,398	263,313	508,715
Savings and temporary cash investments.....	6,572,710	750,159	755,868	1,202,341	1,171,440	2,692,903
Receivables due ⁴	2,246,691	570,125	424,533	711,426	306,648	233,959
Inventories and prepaid expenses.....	36,647	10,976	*4,521	5,000	892	15,258
Total investments.....	68,848,460	9,167,287	8,527,605	13,336,304	12,297,191	25,520,073
Securities.....	47,517,343	7,293,870	6,932,566	11,051,061	9,471,894	12,767,952
Government obligations.....	5,039,298	532,795	668,734	1,141,131	1,096,139	1,600,499
Corporate stock.....	35,491,503	5,350,856	5,188,769	8,315,759	7,172,290	9,463,829
Corporate bonds.....	6,986,542	1,410,219	1,075,063	1,594,171	1,203,466	1,703,624
Land, buildings, and equipment.....	867,154	133,197	143,959	203,386	284,334	102,277
Other investments.....	20,463,963	1,740,219	1,451,080	2,081,858	2,540,962	12,649,844
Charitable purpose land, buildings, and equipment.....	321,426	57,099	*64,372	68,829	72,067	*59,060
Other assets.....	4,748,505	677,494	382,343	660,639	458,323	2,569,707
Total liabilities (end-of-year).....	1,450,864	98,363	83,228	220,180	245,958	803,136
Accounts payable, accrued expenses, and deferred revenue.....	343,853	42,432	45,745	88,575	80,864	86,237
Loans from disqualified persons, mortgages, and notes payable..	275,161	*4,575	*2,722	12,719	27,828	227,317
Other liabilities.....	831,851	51,356	34,761	118,886	137,266	489,582

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

¹ Includes 2,032 returns that did not report end-of-year book value of total assets (line 37, column (b)), or that reported the amount as zero. Often, this amount is reported as zero for those trusts filing a final return. In those cases, the trusts reported having assets at the beginning of the year, but nothing at the end of the year.

² Taken from Form 5227, Part IV, line 46, column (b).

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 discrepancies.

⁴ 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, 2001

Table 7.--Charitable Remainder Unitrusts: Fair Market Value Balance Sheet Information, by Size of Book Value of Total Assets, 2001

[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	\$1,000,000	\$3,000,000	\$10,000,000
		\$500,000 ¹	\$1,000,000	\$3,000,000	\$10,000,000	or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns.....	89,874	61,732	14,463	10,011	2,895	773
Total assets (end-of-year).....	100,268,578	14,854,662	11,988,750	18,863,289	16,987,330	37,574,546
Cash.....	1,648,041	304,015	147,765	361,176	343,360	491,725
Savings and temporary cash investments.....	5,638,921	827,077	740,141	1,272,317	1,112,502	1,686,884
Receivables due ²	2,300,968	**585,012	**441,685	715,518	320,082	253,933
Inventories and prepaid expenses.....	22,308	**	**	4,951	1,363	731
Total investments.....	84,568,200	11,808,843	10,088,832	15,547,083	14,561,265	32,562,177
Securities.....	60,909,477	9,177,952	8,055,039	12,785,421	11,552,571	19,338,495
Government obligations.....	5,201,275	595,873	710,385	1,201,901	1,091,511	1,601,605
Corporate stock.....	49,095,395	7,145,519	6,326,901	10,091,174	9,324,782	16,207,019
Corporate bonds.....	6,612,807	1,436,560	1,017,752	1,492,346	1,136,279	1,529,870
Land, buildings, and equipment.....	1,532,985	493,405	244,396	351,060	302,656	141,467
Other investments.....	22,125,738	2,137,486	1,789,397	2,410,603	2,706,038	13,082,215
Charitable purpose land, buildings, and equipment.....	657,779	195,706	*112,934	111,395	137,866	*99,879
Other assets.....	5,432,330	1,133,988	457,388	850,845	510,891	2,479,218
Total liabilities (end-of-year).....	1,640,188	71,989	83,259	234,278	201,207	1,049,456
Accounts payable, accrued expenses, and deferred revenue.....	323,985	**30,299	**39,598	76,843	104,537	76,689
Loans from disqualified persons, mortgages, and notes payable..	246,377	**	**	12,696	24,850	*204,849
Other liabilities.....	1,069,827	41,690	43,661	144,739	71,820	767,917

*Estimate should be used with caution because of the small number of 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 2,032 returns that did not report end-of-year book value of total assets (line 37, column (b)), or that reported the amount as zero. Often, this amount is reported as zero for those trusts filing a final return. In those cases, the trusts reported having assets at the beginning of the year, but nothing at the end of the year.

² 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, 2001

Table 8.--Charitable Lead Trusts: Book Value Balance Sheet Information, by Size of Book Value of Total Assets, 2001

[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	\$1,000,000	\$3,000,000	\$10,000,000
		\$500,000 ¹	\$1,000,000	\$3,000,000	\$10,000,000	or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns.....	5,292	2,085	1,283	1,193	522	209
Total net assets (end-of-year) ².....	14,004,857	421,364	573,355	2,005,398	2,535,721	8,469,018
Total liabilities and net assets (end-of-year) ³.....	15,090,147	451,008	880,958	2,034,690	2,584,523	9,138,968
Total assets (end-of-year).....	15,075,433	451,008	880,958	2,032,408	2,575,180	9,135,878
Cash.....	134,163	16,987	17,161	35,211	8,115	56,688
Savings and temporary cash investments.....	1,085,854	50,041	82,512	170,079	141,646	641,578
Receivables due ⁴	232,999	**9,459	**31,050	33,347	*106,223	54,052
Inventories and prepaid expenses.....	5,241	**	**	*729	*2,081	*1,298
Total investments.....	13,146,467	369,678	748,229	1,751,545	2,214,035	8,062,981
Securities.....	7,755,861	290,536	594,440	1,364,519	1,566,820	3,939,546
Government obligations.....	769,793	*29,255	*64,328	151,499	171,018	353,694
Corporate stock.....	6,325,192	**261,281	**530,112	1,027,040	1,200,566	3,341,481
Corporate bonds.....	660,876	**	**	185,980	195,236	244,372
Other investments ⁵	5,390,606	79,142	153,789	387,026	647,215	4,123,435
Other assets ⁶	470,708	*4,843	*2,007	41,497	103,080	319,281
Total liabilities (end-of-year).....	748,613	*11,427	*307,603	29,295	48,802	351,488

*Estimate should be used with caution because of the small number of 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 172 returns that did not report end-of-year book value of total assets (line 37, column (b)), or that reported the amount as zero. Often, this amount is reported as zero for those trusts filing a final return. In those cases, the trusts reported having assets at the beginning of the year, but nothing at the end of the year.

² Taken from Form 5227, Part IV, line 46, column (b).

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 discrepancies.

⁴ 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 Calculated as the sum of "investments--land, buildings, and equipment" (line 33), and "investments--other" (line 34).

⁶ Calculated as the sum of "charitable purpose 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, 2001

Table 9.--Pooled Income Funds: Book Value Balance Sheet Information, by Size of Book Value of Total Assets, 2001

[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	\$1,000,000	\$3,000,000	\$10,000,000
		\$500,000 ¹	under \$1,000,000	under \$3,000,000	under \$10,000,000	or more
(1)	(2)	(3)	(4)	(5)	(6)	
Number of returns.....	1,698	1,346	*78	171	75	28
Total net assets (end-of-year) ².....	1,552,342	155,252	*59,158	257,605	363,932	716,395
Total liabilities and net assets (end-of-year) ³.....	1,679,254	158,438	*59,158	285,747	413,955	761,956
Total assets (end-of-year).....	1,695,183	158,703	*59,158	285,747	413,954	777,621
Cash.....	10,797	*569	--	1,834	2,514	5,879
Savings and temporary cash investments.....	70,390	4,643	165	5,405	17,630	42,546
Receivables due ⁴	6,395	**22	--	**3,725	* **853	*1,957
Inventories and prepaid expenses.....	163	**	--	**	**	--
Total investments.....	1,568,301	143,118	*58,993	268,558	382,201	715,431
Securities.....	1,129,878	102,847	*41,024	222,193	277,151	486,662
Government obligations.....	158,606	**	**	24,325	40,741	82,110
Corporate stock.....	482,608	**34,340	**15,155	65,179	85,209	294,155
Corporate bonds.....	488,664	**	**	132,689	151,201	110,397
Other investments ⁵	438,423	**108,778	**43,838	46,365	105,050	28,769
Other assets ⁶	39,138	10,350	--	*6,224	*10,756	11,808
Total liabilities (end-of-year).....	17,789	*268	--	*546	*3,652	13,322

*Estimate should be used with caution because of the small number of 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 52 returns that did not report end-of-year book value of total assets (line 37, column (b)), or that reported the amount as zero. Often, this amount is reported as zero for those trusts filing a final return. In those cases, the trusts reported having assets at the beginning of the year, but nothing at the end of the year.

² Taken from Form 5227, Part IV, line 46, column (b).

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 discrepancies.

⁴ 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 Calculated as the sum of "investments--land, buildings, and equipment" (line 33), and "investments--other" (line 34).

⁶ Calculated as the sum of "charitable purpose 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.