Department of Taxation and Finance

Instructions for Form IT-205-J

New York State Accumulation Distribution for Exempt Resident Trusts

Attachment to Form IT-205

IT-205-J-I

General information

Every exempt resident trust must file Form IT-205-J for any tax year in which it makes an accumulation distribution to a beneficiary who is a New York State resident.

A resident beneficiary receiving an accumulation distribution from an exempt resident trust (other than an incomplete gift non-grantor trust) must include the accumulation distribution in their New York adjusted gross income, unless:

- the accumulation distribution is thrown back to a tax year that the trust was subject to New York State tax, or a tax year starting before January 1, 2014,
- the accumulation distribution is thrown back to a tax year prior to when the beneficiary first became a New York State resident, or a tax year before the beneficiary was born or reached age 21, or
- the income was already included in the beneficiary's gross income.

A resident beneficiary includes the accumulation distribution in their New York adjusted gross income by using Part 4 of Form IT-205-J to complete addition modification A-116 on Form IT-225, *New York State Modifications*. The trust must provide the resident beneficiary with a copy of Part 4.

Who must file

If you marked *Yes* at line B of Form IT-205-C, *New York State Resident Trust Nontaxable Certification,* complete Form IT-205-J.

Submit Form IT-205-J with Forms IT-205-C and IT-205. Provide resident beneficiaries with a copy of Part 4.

Purpose of schedule

An exempt resident trust must complete and file Form IT-205-J to report an accumulation distribution to a New York State resident beneficiary.

Definitions

An ***exempt resident trust*** is a resident trust not subject to New York State tax because it meets all of the following conditions under New York State Tax Law § 605(b)(3)(D):

1. All the trustees are domiciled in a state other than New York;
2. The entire corpus of the trust, including real and tangible personal property, is located outside of New York State (it is the Tax Department's position that intangibles located in the state but that are not employed in a business carried on in the state are not deemed to be located in the state for purposes of this rule); and
3. All income and gains of the trust are derived from, or connected with, sources outside of New York State, determined as if the trust were a nonresident trust.

Note: If the estate or trust sold or exchanged its interest in an entity that owns real property in New York State, the estate or trust may have income from New York State sources. For additional information, see TSB-M-18(1)I, *Definition of New York Source Income of a Nonresident Individual Expanded*.

An ***incomplete gift non-grantor trust*** as defined under Tax Law § 612(b)(41) means a resident trust that meets both of the following conditions:

- the trust does not qualify as a grantor trust under Internal Revenue Code (IRC) §§ 671 through 679, and
- the grantor's transfer of assets to the trust is treated as an incomplete gift under IRC § 2511 and the regulations applicable to that section.

An ***accumulation distribution*** is the excess of amounts properly paid, credited, or required to be distributed (other than income required to be distributed currently) over the distributable net income of the trust reduced by income required to be distributed currently. To have an accumulation distribution, the distribution must exceed the accounting income of the trust.

Line instructions

See Form IT-205-I, *Instructions for Form IT-205*, for the *Privacy notification* or if you need help contacting the Tax Department.

Entering whole dollar amounts

When entering amounts on this form, enter whole dollar amounts only.

Use the following rounding rules when entering your amounts; drop amounts below 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, $1.39 becomes $1 and $2.50 becomes $3.

Part 1: Accumulation distribution

Line 1: Distribution under IRC § 661(a)(2)

Enter the amount from federal Form 1041, Schedule B, line 10. This is the amount properly paid, credited, or required to be distributed other than the amount of income for the current tax year required to be distributed currently.

Line 2: Distributable net income (DNI)

Enter the amount from federal Form 1041, Schedule B, line 7. This is the amount of DNI for the current tax year determined under IRC § 643(a).

Line 3: Distribution under IRC § 661(a)(1)

Enter the amount from federal Form 1041, Schedule B, line 9. This is the amount of income for the current tax year required to be distributed currently.

Line 5: Accumulation distribution

Subtract line 4 from line 1.

If line 11 of federal Form 1041, Schedule B, is more than line 8 of federal Form 1041, Schedule B, complete the rest of Form IT-205-J and file it with Form IT-205, unless the trust has no previously accumulated income.

Part 2: Ordinary income accumulation distribution

Enter the applicable year at the top of each column for each throwback year.

Line 6: DNI for earlier years

Enter the applicable amounts as follows:

Throwback year(s)	Amount from federal form
1969 - 1977	Form 1041, Schedule C, line 5
1978 - 1979	Form 1041, line 61
1980	Form 1041, line 60
1981 - 1982	Form 1041, line 58
1983 - 1996	Form 1041, Schedule B, line 9
1997 - 2024	Form 1041, Schedule B, line 7

For more information about throwback years, see the instructions for line 13. For purposes of line 6, in figuring the DNI of the trust for a throwback year, subtract any estate tax deduction for income in respect of a decedent (IRD) if the income is includible in figuring the DNI of the trust for that year.

Line 7: Distributions made during earlier years

Enter the applicable amounts as follows:

Throwback year(s)	Amount from federal form
1969 - 1977	Form 1041, Schedule C, line 8
1978	Form 1041, line 64
1979	Form 1041, line 65
1980	Form 1041, line 64
1981 - 1982	Form 1041, line 62
1983 - 1996	Form 1041, Schedule B, line 13
1997 - 2024	Form 1041, Schedule B, line 11

Line 11: Prior accumulation distribution thrown back to any throwback year

Enter the amount of prior accumulation distributions thrown back to the throwback years. Do not enter distributions excluded under IRC § 663(a)(1) for gifts, bequests, and so on.

Line 13: Throwback years

Allocate the amount on line 5 that is an accumulation distribution to the earliest applicable year first, but do not allocate more than the amount on line 12 for any throwback year. An accumulation distribution is thrown back first to the earliest preceding tax year in which there is undistributed net income (UNI). Then, it is thrown back beginning with the next earliest year to any remaining preceding tax years of the trust. The portion of the accumulation distribution allocated to the earliest preceding tax year is the amount of the UNI for that year. The portion of the accumulation distribution allocated to any remaining preceding tax year is the amount by which the accumulation distribution is larger than the total of the UNI for all earlier preceding tax years.

A tax year of a trust during which the trust was a simple trust for the entire year is not a preceding tax year unless (a) during that year the trust received outside income, or (b) the trustee did not distribute all of the trust's income that was required to be distributed currently for that year. In this case, UNI for that year must not be more than the greater of the outside income or income not distributed during that year.

The term *outside income* means amounts that are included in the DNI of the trust for that year but that are not *income* of the trust as defined in IRC Treasury Regulations § 1.643(b)-1. Some examples of outside income are: (a) income taxable to the trust under IRC § 691; (b) unrealized accounts receivable that were assigned to the trust; and (c) distributions from another trust that include the DNI or UNI of the other trust.

Line 16: Federal tax-exempt interest included on line 13 during earlier years

For each throwback year, divide line 15 by line 6 and multiply the result by the following:

Throwback year(s)	Amount from federal form
1969 - 1977	Form 1041, Schedule C, line 2(a)
1978 - 1979	Form 1041, line 58(a)
1980	Form 1041, line 57(a)
1981 - 1982	Form 1041, line 55(a)
1983 - 2024	Form 1041, Schedule B, line 2

Line 18: New York addition modifications

If the following were included on line 16 in any earlier years, they must be added back on line 18 for that applicable year.

Income from certain obligations of U.S. government agencies or instrumentalities

Any interest or dividend income from any U.S. government authority, commission, or instrumentality that federal laws exempt from federal income tax but do not exempt from state income.

Interest income on state and local bonds and obligations (but not those of New York State or its local governments)

Interest income on obligations of other states or political subdivisions of those states that is exempt from federal income tax is subject to New York State tax. This includes interest income on state and local bonds (but not those of New York State and local governments within the state), interest and dividend income from tax-exempt bond mutual funds, and tax-exempt money market funds that invest in obligations of states other than New York [New York State Tax Law § 612(b)(1)].

Line 19: New York subtraction modifications

If the following were included in line 13 and not included on line 16, enter them on line 19:

Build America Bond (BAB) interest

Enter any interest income attributable to a BAB issued by New York State or its local governments.

Certain investment income from U.S. government agencies

Enter any interest or dividend income on bonds or securities of any U.S. authority, commission, or instrumentality that is exempt from state income taxes under federal laws (but included in federal income).

Certain investment income exempted by other New York State laws

Enter any interest or dividend income from any obligations or securities authorized to be issued and exempt from state taxation under the laws of New York State (for example, income received from bonds, mortgages, and income debenture certificates of limited dividend housing corporations organized under the Private Housing Finance Law).

Interest income on U.S. government bonds

Interest income on bonds or other obligations of the U.S. government is not taxed by New York. Dividends received from a regulated investment company (mutual fund) that invests in obligations of the U.S. government and meet the 50% asset requirement each quarter qualify for this subtraction. The portion of dividends that may be subtracted is based upon the portion of taxable income received by the mutual fund that is derived from federal obligations [New York State Tax Law § 612(c)(1)].

Part 3: Taxes imposed on undistributed net income

For the regular federal tax computation, if there is a capital gain, complete lines 21 through 28 for each throwback year. If the trustee elected the alternative tax on capital gains, complete lines 29 through 34 instead of lines 21 through 28 for each applicable year. If there is no capital gain for any year, or there is a capital loss for every year, enter on line 9 the amount of the tax for each year identified in the instruction for line 21 and do not complete Part 3. If the trust received an accumulation distribution from another trust, see IRC Treasury Regulations § 1.665(b)-1A.

Note: The federal alternative tax on capital gains was repealed for tax years beginning after December 31, 1978. The maximum rate on net capital gain for 1981, 1987, and 1991 through 2013 is not an alternative tax for this purpose.

Line 21: Regular federal tax

Enter the applicable amounts as follows:

Throwback year(s)	Amount from federal form
1969 - 1976	Form 1041, page 1, line 24
1977	Form 1041, page 1, line 26
1978 - 1979	Form 1041, line 27
1980 - 1984	Form 1041, line 26c
1985 - 1986	Form 1041, line 25c
1987	Form 1041, line 22c
1988 - 2024	Form 1041, Schedule G, line 1a

Line 22: Trust's share of net short-term gain

For each throwback year, enter the smaller of the capital gain from the two lines indicated. If there is a capital loss or a zero on either or both of the two lines indicated, enter ***0*** on line 22.

Throwback year(s)	Amount from federal Form 1041
1969 - 1970	Schedule D, line 10, column 2, or Schedule D, line 12, column 2
1971 - 1978	Schedule D, line 14, column 2, or Schedule D, line 16, column 2
1979	Schedule D, line 18, column (b), or Schedule D, line 20, column (b)
1980 - 1981	Schedule D, line 14, column (b), or Schedule D, line 16, column (b)
1982	Schedule D, line 16, column (b), or Schedule D, line 18, column (b)
1983 - 1996	Schedule D, line 15, column (b), or Schedule D, line 17, column (b)
1997 - 2002	Schedule D, line 14, column (2), or Schedule D, line 16, column (2)
2003	Schedule D, line 14a, column (2), or Schedule D, line 16a, column (2)
2004 - 2012	Schedule D, line 13, column (2), or Schedule D, line 15, column (2)
2013 - 2024	Schedule D, line 17, column (2), or Schedule D, line 19, column (2)

Line 23: Trust's share of net long-term gain

Enter the applicable amounts as follows:

Throwback year(s)	Amount from federal Form 1041
1969 - 1970	50% of Schedule D, line 13(e)
1971 - 1977	50% of Schedule D, line 17(e)
1978	Schedule D, line 17(e), or line 31, whichever is applicable, less Form 1041, line 23
1979	Schedule D, line 25 or line 27, whichever is applicable, less Form 1041, line 23
1980 - 1981	Schedule D, line 21, less Schedule D, line 22
1982	Schedule D, line 23, less Schedule D, line 24
1983 - 1986	Schedule D, line 22, less Schedule D, line 23
1987 - 1996	Schedule D, the smaller of any gain on line 16 or line 17, column (b)
1997 - 2001	Schedule D, the smaller of any gain on line 15c or line 16, column (2)
2002	Schedule D, the smaller of any gain on line 15a or line 16, column (2)
2003	Schedule D, the smaller of any gain on line 15a or line 16a, column (2)
2004 - 2012	Schedule D, the smaller of any gain on line 14a or line 15, column (2)
2013 - 2024	Schedule D, the smaller of any gain on line 18a or line 19, column (2)

Line 25: Federal taxable income

Enter the applicable amounts as follows:

Throwback year(s)	Amount from federal form
1969 - 1976	Form 1041, page 1, line 23
1977	Form 1041, page 1, line 25
1978 - 1979	Form 1041, line 26
1980 - 1984	Form 1041, line 25
1985 - 1986	Form 1041, line 24
1987	Form 1041, line 21
1988 - 1996	Form 1041, line 22
1997	Form 1041, line 23
1998 - 2018	Form 1041, line 22
2019 - 2024	Form 1041, line 23

Line 29: Federal tax on income other than long-term capital gain

Enter the applicable amounts as follows:

Throwback year(s)	Amount from federal Form 1041
1969	Schedule D, line 20
1970	Schedule D, line 19
1971	Schedule D, line 50
1972 - 1975	Schedule D, line 48
1976 - 1978	Schedule D, line 27

Line 30: Trust's share of net short-term gain

If there is a loss on any of the following lines, enter ***0*** on line 30 for the applicable throwback year. Otherwise, enter the applicable amounts as follows:

Throwback year(s)	Amount from federal Form 1041
1969 - 1970	Schedule D, line 10, column 2
1971 - 1978	Schedule D, line 14, column 2

Line 31: Trust's share of taxable income less IRC § 1202 deduction

Enter the applicable amounts as follows:

Throwback year(s)	Amount from federal Form 1041
1969	Schedule D, line 19
1970	Schedule D, line 18
1971	Schedule D, line 38
1972 - 1975	Schedule D, line 39
1976 - 1978	Schedule D, line 21

Part 4: Allocation to beneficiary

Complete Part 4 for each resident beneficiary. If the accumulation distribution is allocated to more than one beneficiary, attach an additional copy of Form IT-205-J with Part 4 completed for each additional resident beneficiary. Provide each resident beneficiary a copy of their respective Part 4 information. The resident beneficiary will use Part 4 to make addition modification A-116 on Form IT-225. However, no addition modification A-116 is required to be made on Form IT-225 by the beneficiary if the trust is an incomplete gift non-grantor trust. If more than 5 throwback years are involved, use another Form IT-205-J, completing Parts 2, 3, and 4 for each additional throwback year.