Form **4970**	**Tax on Accumulation Distribution of Trusts**	OMB No. 1545-0192
Department of the Treasury Internal Revenue Service	▶ Attach to beneficiary's tax return. ▶ See instructions on back.	**19 92** Attachment Sequence No. **73**

A Name(s) as shown on return	**B** Social security number
C Name and address of trust	**D** Employer identifying number

| **E** Type of trust: ☐ Domestic ☐ Foreign | **F** Beneficiary's date of birth | **G** Enter number of trusts from which you received accumulation distributions in this tax year . . . . ▶ | |

Part I Average Income and Determination of Computation Years

1	Amount of current distribution that is considered distributed in earlier tax years. (From Schedule J (Form 1041), line 37, column (a))	**1**	
2	Distributions of income accumulated before you were born or reached age 21	**2**	
3	Subtract line 2 from line 1	**3**	
4	Taxes imposed on the trust on amounts from line 3. (From Schedule J (Form 1041), line 37, column (b)).	**4**	
5	Total (add lines 3 and 4)	**5**	
6	Tax-exempt interest included on line 5. (From Schedule J (Form 1041), line 37, column (c)) . . .	**6**	
7	Taxable part of line 5 (subtract line 6 from line 5)	**7**	
8	Number of trust's earlier tax years in which amounts on line 7 are considered distributed . . .	**8**	
9	Average annual amount considered distributed (divide line 3 by line 8) . . **9**		
10	Multiply line 9 by .25 . . . . **10**		
11	Number of earlier tax years to be taken into account (see instructions)	**11**	
12	Average amount for recomputing tax (divide line 7 by line 11). Enter here and in each column on line 15	**12**	

13	Enter your taxable income before this distribution for the 5 immediately preceding tax years	**(a) 1991**	**(b) 1990**	**(c) 1989**	**(d) 1988**	**(e) 1987**

Part II Tax Attributable to the Accumulation Distribution

			(a) 19......	**(b) 19......**	**(c) 19......**
14	Enter the amounts from line 13, eliminating the highest and lowest taxable income years	**14**			
15	Enter amount from line 12 in each column	**15**			
16	Recomputed taxable income (add lines 14 and 15)	**16**			
17	Income tax on amounts on line 16	**17**			
18	Income tax before credits on line 14 income	**18**			
19	Additional tax before credits (subtract line 18 from line 17) . .	**19**			
20	Tax credit adjustment	**20**			
21	Subtract line 20 from line 19	**21**			
22	Alternative minimum tax adjustments	**22**			
23	Combine lines 21 and 22	**23**			
24	Add columns (a), (b), and (c), line 23	**24**		
25	Divide the line 24 amount by 3	**25**		
26	Multiply the amount on line 25 by the number of years on line 11	**26**		
27	Enter the amount from line 4	**27**		
28	Partial tax (subtract line 27 from line 26) (If line 27 is more than line 26, enter -0-.)	**28**		
29	Interest charge on accumulation distribution from foreign trusts	**29**		
30	Tax attributable to the accumulation distribution (add lines 28 and 29)	**30**		

For Paperwork Reduction Act Notice, see back of form.   Cat. No. 13180V   Form **4970** (1992)

General Instructions

(Section references are to the Internal Revenue Code unless otherwise noted.)

Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	1 hr., 12 min.
Learning about the law or the form	16 min.
Preparing the form	1 hr., 30 min.
Copying, assembling, and sending the form to the IRS	20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the IRS and the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

Purpose of Form

If you are the beneficiary of a trust that accumulated its income, instead of distributing it currently, use Form 4970 to figure the partial tax under section 667. The fiduciary notifies the beneficiary of an "accumulation distribution" by completing Part IV of Schedule J (Form 1041).

Thus, if you received a distribution for this tax year from a trust that accumulated its income, instead of distributing it each year (and the trust paid taxes on that income), you must complete Form 4970 to compute any additional tax liability. The trustee must give you a completed Part IV of Schedule J (Form 1041) so you can complete this form.

If you received accumulation distributions from more than one trust during the current tax year, prepare a separate Form 4970 for each trust from which you received an accumulation distribution. You can arrange the distributions in any order you want them considered to have been made.

Definitions

Undistributed Net Income (UNI).— Undistributed net income is the distributable net income (DNI) of the trust for any tax year less: **(1)** the amount of income required to be distributed currently and any other amounts properly paid or credited or required to be distributed to beneficiaries in the tax year; and **(2)** the taxes imposed on the trust attributable to such DNI.

Accumulation Distribution.—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 DNI of the trust reduced by income required to be distributed currently.

Generally, except for tax-exempt interest, the distribution loses its character upon distribution to the beneficiary. See section 667(d) for special rules for foreign trusts.

Specific Instructions

Line 1.—For a nonresident alien or foreign corporation, include only the part of the accumulation distribution that is attributable to U.S. sources or is effectively connected with a trade or business carried on in the United States.

Line 2.—Enter any amount from line 1 that represents UNI of a domestic trust accumulated before you were born or reached age 21. However, if the multiple trust rule applies, see the instructions for line 4.

Line 4—Multiple Trust Rule.—If you received accumulation distributions from two or more other trusts that were considered to have been made in any of the earlier tax years in which the current accumulation distribution is considered to have been made, do not include on line 4 the taxes attributable to the current accumulation distribution considered to have been distributed in the same earlier tax year(s).

For this special rule, only count as trusts those trusts for which the sum of this accumulation distribution and any earlier accumulation distributions from the trust, which are considered under section 666(a) to have been distributed in the same earlier tax year, is $1,000 or more.

Foreign Trust.—If the trust is a foreign trust, see section 665(d)(2).

Line 8.—You can determine the number of years in which the UNI is deemed to have been distributed by counting the "throwback years" for which there are entries on lines 32 through 36 of Part IV of Schedule J (Form 1041). These throwback rules apply even if you would not have been entitled to receive a distribution in the earlier tax year if the distribution had actually been made then. **Note:** *There can be more than 5 "throwback years."*

Line 11.—From the number of years entered on line 8, subtract any year in which the distribution from column (a), Part IV of Schedule J (Form 1041) is less than the amount on line 10 of Form 4970. If the distribution for each throwback year is more than line 10, then enter the same number on line 11 as you entered on line 8.

Line 13.—Enter your taxable incomes for years 1987–1991, even if less than 5 years of the trust had accumulated income after you became 21. Use the taxable income as reported, amended by you, or as changed by the IRS. Include in the taxable income amounts considered distributed in that year as a result of prior accumulation distributions whether from the same or another trust, and whether made in an earlier year or the current year.

If your taxable income as adjusted is less than zero, enter zero.

Line 17.—Figure the income tax (not including any alternative minimum tax) on the income on line 16 using the tax rates in effect for your particular earlier tax year shown in each of the three columns. You may use the Tax Rate Schedules, etc., as applicable. You can get the Tax Rate Schedules and earlier year forms from many IRS offices.

Line 18.—Enter your income tax (not including any alternative minimum tax) as originally reported, corrected, or amended,

before reduction for any credits for your particular earlier year shown in each of the three columns.

Line 20.—Nonrefundable credits that are limited to tax liability, such as the general business credit, may be changed because of an accumulation distribution. If the total allowable credits for any of the 3 computation years increases, enter the increase on line 20. However, do not treat as an increase the part of the credit that was allowable as a carryback or carryforward credit in the current or any preceding year other than the computation year.

To refigure these credits, you must consider changes to the tax before credits for each of the 3 computation years due to previous accumulation distributions.

If the accumulation distribution is from a domestic trust that paid foreign income taxes, the limitation on the foreign tax credit under section 904 is applied separately to the accumulation distribution. If the distribution is from a foreign trust, see sections 667(d) and 904(f)(4) for special rules.

Attach the proper form for any credit you refigure. The amount determined for items on this line is limited to tax law provisions in effect for those years involved.

Line 22.—Use and attach a separate **Form 4626, Form 6251,** or **Form 8656** to recompute the alternative minimum tax for each earlier year and show any change in those taxes in the bottom margin of the forms. Enter the adjustments on this line.

Line 28.—If estate taxes or generation-skipping transfer taxes apply to the accumulation distribution, reduce the partial tax proportionately for those taxes. See section 667(b)(6) for the computation.

Line 29.—For an accumulation distribution from a foreign trust, an interest charge must be added to the partial tax. This interest charge is not deductible under any Code section and is figured as follows:

1. Figure 6% of line 28.

2. Total the number of years from the year(s) of allocation to the year of distribution (including the year of allocation, but not the year of distribution).

3. Divide the number in step **2** by the total years of allocation (line 8).

4. Multiply the answer in step **1** by the decimal in step **3**.

5. Subtract line 28 from line 1. This is the maximum interest.

6. Enter on line 29 the amount from step **4** or step **5**, whichever is less.

If this form is not being used for distributions from a foreign trust, enter zero on line 29. However, if the distributions are from a domestic trust that used to be a foreign trust, see Rev. Rul. 91-6, 1991-1 C.B. 89.

Line 30—Individuals.—Enter the amount from this line on line 39, Form 1040.

Estates and Trusts.—Include the amount on line 1b, Schedule G, Form 1041.

Other Filers.—Add the result to the total tax liability before credits on your income tax return for the year of the accumulation distribution. Attach this form to that return.