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Final regulations: Deductions allowed estates, non-grantor trusts

The IRS today posted on its website a version of final regulations (T.D. 9918) clarifying that the following deductions allowed to an estate or non-grantor trust are not miscellaneous itemized deductions:

- Costs paid or incurred in connection with the administration of an estate or non-grantor trust that would not have been incurred if the property were not held in the estate or trust
- The personal exemption of an estate or non-grantor trust
- The distribution deduction for trusts distributing current income
- The distribution deduction for estates and trusts accumulating income

According to these [final regulations](#) [PDF 193 KB], these deductions are not affected by the suspension of the deductibility of miscellaneous itemized deductions for tax years beginning after December 31, 2017, and before January 1, 2026.

The final regulations also provide guidance on determining the character, amount, and allocation of deductions in excess of gross income succeeded to by a beneficiary on the termination of an estate or non-grantor trust.

These regulations finalize regulations that were proposed in May 2020 “with modifications.” The regulations posted today by the IRS include this statement:

This document is in the process of being submitted to the Office of the Federal Register (OFR) for publication and will be pending placement on public display at the OFR and publication in the Federal Register. The version of the final regulations released today may vary slightly from the published document if minor editorial changes are made during the OFR review process. The document published in the Federal Register will be the official document.

A related IRS release—[IR-2020-217](#)—explains that these final regulations also provide guidance on determining the character and amount of, as well as the manner for allocating, excess deductions that

beneficiaries succeeding to the property of a terminated estate or non-grantor trust may claim on their individual income tax returns.

The purpose of this report is to provide text of the final regulations.

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