

# Taxation of Special Needs Trusts

Type of Trust	“Tax Definition”	Tax ID Who Pays Taxes?	QDT?	Funding – Gift Taxes	Estate
3 <sup>rd</sup> Party (sole benefit)	Grantor	Grantor’s Social Security # (Parent)	Not Until Death of Grantor(s)	Gift Tax Issues	In Grantor’s Estate (if donor retains reversionary rights)
	Non-Grantor (complex)	Tax ID Trust Pays Taxes	Yes	Gift Tax Issues	No
1 <sup>st</sup> Party D(4)(A) “Payback”	Grantor	Tax ID Or Beneficiary	No	No gift tax when funded	In Grantor’s Estate
Pooled Trust	D(4)(C) – Grantor	Like D(4)(A)	No	No gift tax when funded	Yes –but government or charity are beneficiaries
	3 <sup>rd</sup> Party Grantor	Like 3 <sup>rd</sup> Party	No	See above	See above

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