

**EFFECTIVE DATE CHANGE REGARDING FINAL REGULATIONS FOR
COSTS PAID OR INCURRED BY
ESTATES OR NON-GRANTOR TRUSTS**

On July 17, 2014, the Internal Revenue Service (“IRS”) amended final regulations that were published on May 9, 2014. The final regulations provide guidance on which costs paid or incurred by estates or non-grantor trusts are subject to the 2% floor for miscellaneous itemized deductions under Section 67(e) of the Internal Revenue Code of 1986, as amended (“Code”). As issued, the final regulations applied to taxable years beginning on or after May 9, 2014.

The Internal Revenue Service (“IRS”) received a comment raising concerns about the effective date. Because of the May 9, 2014 effective date, fiduciaries of existing trusts and calendar-year estates would apply the rules starting January 1, 2015. However, the rules would apply immediately to any non-grantor trust created after May 8, 2014, the estate of any decedent who dies after May 8, 2014, and any existing fiscal-year estate with a taxable year beginning after May 8, 2014. The commentator stated that the effective date did not give fiduciaries of these trusts and estates adequate time to implement the changes that are necessary to comply with the regulations. Specifically, the commentator was concerned about allowing fiduciaries sufficient time to design and implement the necessary program changes to determine the portion of a bundled fee that is attributable to costs that are subject to the 2% floor versus costs that are not subject to the 2% floor.

In response, the IRS agreed with the comment and amended the final regulations so that they *apply to taxable years beginning on or after January 1, 2015.*