

Trust Enrollment Department

PO Box 365, Oneida WI 54155
(920) 869-6200 * 1-800-571-9902
Fax: (920) 869-2995

TrustEnrollments@oneidanation.org
<https://oneida-nsn.gov/resources/enrollments/>



ONEIDA MINORS TRUST-KIDDIE TAX UPDATE 2020

You are receiving this update because our records indicate you have received a Minors Trust Distribution in 2018, 2019, or are eligible to receive a Minors Trust Distribution in 2020.

Last year, the Oneida Trust Enrollment Department noticed recipients of Minors Trust Distributions that the “2017 Tax Cuts and Jobs Act” changed the tax brackets of the Kiddie Tax which was up to 37% and applicable to a member’s Minors Trust and Per Capita Distribution. While the Trust Enrollment Department worked on informational outreach, we have also worked with other resources within the Oneida Nation to lobby the Federal U.S. Government to remove these unfairly large taxes to Native youths.

In December 2019 the Federal U.S. Government adopted the “Setting Every Community Up for Retirement Enhancement (SECURE) Act” which had provisions repealing the Kiddie Tax brackets. Instead of applying the Kiddie Tax rates based solely on an individual’s unearned income, the rates reverted back to pre-“Tax Cuts and Jobs Act” rates, which means they apply to unearned income based on your parents’/legal guardians’ marginal income.

While the Trust Enrollment Department cannot tell you specifically how the Kiddie Tax applies to you, below are some general points. The Trust Enrollment Department cannot give tax advice, and we strongly urge you to seek professional tax consultation before claiming your Minors Trust Fund. We hope this update works as a guide to the questions to ask a professional tax consultant.

What is "Kiddie tax" and how could it apply to my Minors Trust?

The Internal Revenue Code includes provisions that apply higher tax rates for certain distributions of "unearned income" to minors and young adults (up to age 24). Unearned Income is generally defined as income derived from sources other than employment. In 2017, IRS issued a ruling construing "unearned income" to include per capita distributions. This ruling still stands for 2020.

Who does the Kiddie Tax apply to?

Generally speaking, the Kiddie Tax applies to anyone with Unearned Income exceeding \$2,200 /year and meet one of the following requirements:

- Anyone ages 0-17.
- Age 18, if Unearned Income is greater than 50% of your own support for the year.
- Ages 19-23, if a full-time student and Unearned Income is greater than 50% of your support.

For further details: www.irs.gov/taxtopics/tc553

Trust Enrollment Department

PO Box 365, Oneida WI 54155
(920) 869-6200 * 1-800-571-9902
Fax: (920) 869-2995

TrustEnrollments@oneidanation.org
<https://oneida-nsn.gov/resources/enrollments/>



What are the Kiddie Tax rates for 2020?

The Kiddie Tax rates for 2020 no longer follow an explicit tax bracket. The SECURE Act changed how Kiddie Tax is calculated. The tax is now dependent on the amount of your unearned income and the total taxable income of your parent/guardian. While this may mean less taxes applied to your Minors Trust Distribution, calculating the amount is more complicated because there are numerous tax definitions and rates your parents/guardians may fall under (for example: single, married, married-joint, head of household). Depending on your parents'/guardians' tax status, the applicable tax rate could range between 10% - 37%. General rule of thumb, the more money your parents/guardians make, the higher the taxes will be applied.

These rates were applied prior 2017, and prior to 2017 the Trust Enrollment Department offered a voluntary option for members to withhold 20% from their Minors Trust Distribution to pay the IRS. While this 20% was not guaranteed to satisfy a member's tax obligation, the Trust Enrollment Department has never received complaints about the voluntary withholding when members filed for their taxes.

Because the Kiddie Tax rates have reversed to a much more complicated calculation, we strongly urge you speak to a professional tax consultant.

When do Kiddie Tax rates apply?

If you qualify for the Kiddie Tax rates, the Internal Revenue Service will calculate how much you owe for taxes during tax season (Jan. through April 15th). The Kiddie Tax is not automatically deducted from your Minors Trust or Per Capita Distributions. If you claim your Minors Trust Fund and/or Per Capita, distributions are made in the Fall, and then tax refunds or taxes due are then calculated that following Spring.

Do the Kiddie Tax rate changes apply to my 2018 and 2019 Distribution?

Short answer, maybe. While the SECURE Act repealed the Kiddie Tax provision of the 2017 Tax Cuts and Jobs Act beginning tax year 2020, the SECURE Act allows the opportunity to file 2019 taxes or amend 2018 taxes to align with the reversed Kiddie Tax rates.

If you received a Minors Trust Fund distribution in 2018 or 2019, we strongly urge you to consult with a tax professional to determine how to file your taxes in 2019 or if an amendment to your 2018 tax returns are appropriate.

What can be done about it?

It may be possible to avoid all Kiddie taxes if distributions are deferred until after the Kiddie Tax age (potentially age 24). The Minor's Trust is flexible to allow members to choose if they'd like to receive a distribution, and if so, how much they'd like to receive. The Minors Trust Payment/Deferral form allows members to choose any percentage they'd like to give them greater control of how much money will be

Trust Enrollment Department

PO Box 365, Oneida WI 54155
(920) 869-6200 * 1-800-571-9902
Fax: (920) 869-2995

TrustEnrollments@oneidanation.org
<https://oneida-nsn.gov/resources/enrollments/>



received and subject to tax each year. Further, since each person's situation may be different, we also offer greater customization on the amount of voluntary tax withholdings you'd like the Trust Enrollment Department to withhold on your behalf.

Because each person's financial situation is different, the Trust Enrollment Department does not have a recommend voluntary tax withholding amount. We strongly urge you to speak to a professional tax consultant before claiming your Minors Trust Fund to understand if voluntary tax withholding is appropriate for you.

How can I avoid any taxes on this money?

You can't. Per Capita payments are taxable income. Minor's Trust contributions have not been taxed yet, and neither has the growth you've experienced in your account. Distributing the funds acts as the triggering event and makes that amount taxable to you. However, you may be able to reduce the rate of tax you must pay if you defer your payments until an age that is no longer subject to Kiddie Tax.

I have further questions.

Please keep an eye out for community informational meetings. Otherwise, you may contact the Trust Enrollment Department as we're happy to help any way we can. Direct contact information is:

Phone:	Brent Truttmann (920) 490-3930	Keith Doxtator (920) 490-3934
Email:	Btruttm2@oneidanation.org	Kdoxtat1@oneidanation.org