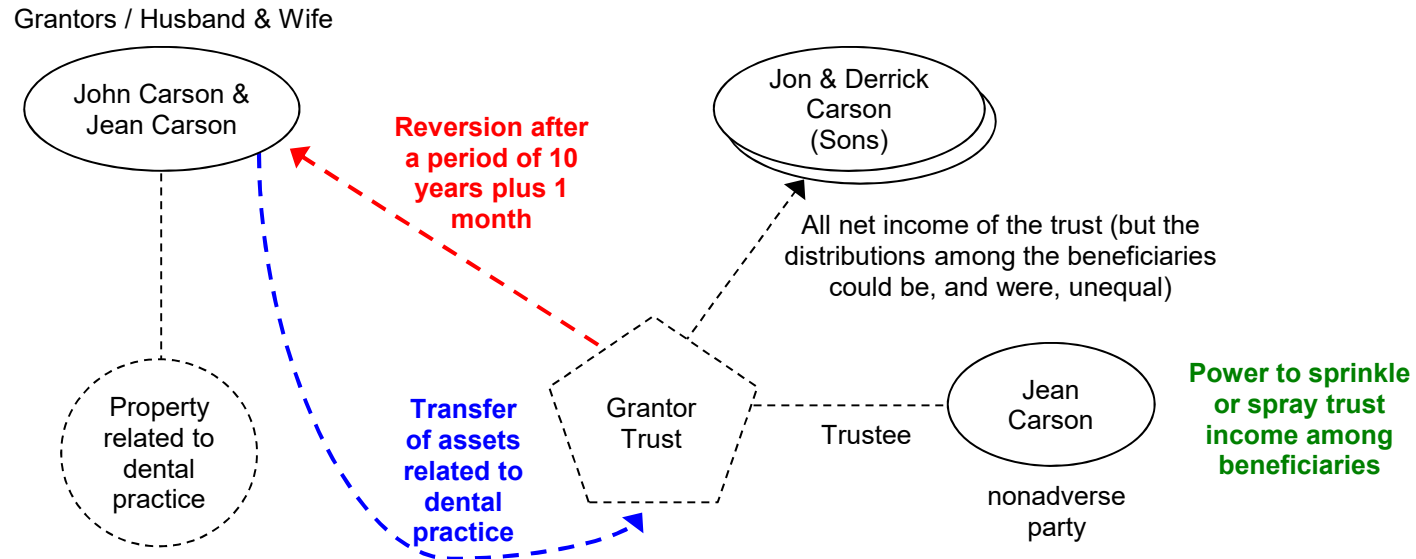


**Carson v. Commr.,  
92 T.C. 1134 (1989)**

**Grantor Held Power to  
Sprinkle Income Among  
Beneficiaries**

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John Carson, was a self-employed dentist. In 1981, John and his wife, Jean, as grantors, executed a trust agreement. Jean was the sole trustee. The income beneficiaries were their sons, Jon and Derrick. The grantors transferred certain property used in John's dental practice to the trustee, and the trust then leased the property to a corporation owned by John that operated the dental practice. After a period of 10 years and one month, the property reverted back to the grantors. (Prior to 1986, reversionary trusts were taxed to the grantor under section 673 only if the reversionary interest would take effect within ten years from the date of the transfer.) Jean, as trustee, made uneven distributions to Jon and Derrick over several years.

If a grantor retains the power to "spray" or "sprinkle" income unevenly between members of a class of beneficiaries she then has the power to dispose of the beneficial enjoyment of the trust income. Section 674(a). Here Jean, as grantor, retained the power to sprinkle trust income between the beneficiaries. Because she retained a sprinkling power, her co-grantor and spouse, John, is also deemed to have retained such a power under section 672(e). The trustee was not legally obligated to equalize distributions, so unequal distributions did not constitute misadministration of the trust.

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