CALIFORNIA & NEVADA TRUST CONSIDERATIONS

A HIGH-LEVEL CPA REFERENCE GUIDE

Practical Issues in Multistate Trust Planning & Administration

WHY THIS MATTERS

Many clients and families now have multistate residency. California real estate, Nevada trustees, beneficiaries in multiple states, and assets located across jurisdictions. Trust administration and tax outcomes are often influenced not only by the trust document itself, but also by:

- Where administration occurs
- Where trustees reside
- Where beneficiaries reside
- Where assets are located
- How the trust is operated over time

KEY DISTINCTION
TRUST SITUS VS. TRUST TAX RESIDENCY

TRUST SITUS	Governing jurisdiction and place of administration
TRUST TAX RESIDENCY	Which state(s) may impose fiduciary income tax
TRUST ADMINISTRATION	Where fiduciary decisions and operational activity occur
CALIFORNIA SOURCE INCOME	Income connected to California property, business activity or operations

COMMON CALIFORNIA CONNECTIONS

Many Nevada-administered trusts still involve California considerations because clients may have:

- California beneficiaries
- California trustees
- California-source income
- California real estate
- California business interests
- California-based advisors/family offices
- Administration drifting back to California

PRACTICAL QUESTIONS FOR CLIENT REVIEWS

Governance & Administration

- ❑ Who is actually managing the trust?
- ❑ Are fiduciary roles clearly defined?
- ❑ Is there a trustee succession plan?

Tax & Compliance

- ❑ Have state filing obligations changed?
- ❑ Are beneficiary residency changes being tracked?
- ❑ Is CA-source income properly identified?

Family & Operational Issues

- ❑ Are distributions handled consistently?
- ❑ Is communication with beneficiaries appropriate?
- ❑ Does the current structure reflect family goals?

CALIFORNIA REAL ESTATE CONSIDERATIONS

Frequently Discussed Issues

- ❑ Proposition 19 implications
- ❑ Property tax reassessment exposure
- ❑ Family vacation properties
- ❑ Unequal beneficiary use of property
- ❑ Liquidity challenges
- ❑ Basis and transfer planning

Common Family Dynamics

- One child wants to keep the property
- One wants liquidity
- One cannot contribute financially
- Trustee becomes mediator

DIRECTED TRUST STRUCTURES

Why CPAs Often Encounter Them

Directed trusts may allow:

- ❑ Separation of investment and fiduciary roles
- ❑ Retention of existing advisors
- ❑ Specialized administrative support
- ❑ Clearer allocation of responsibilities

Typical Participants

- Administrative Trustee
- Trust Counsel
- Investment Advisor
- Trust Protector
- CPA / Tax Advisor

RED FLAGS CPAs MAY NOTICE

- ⚠ Trustee relocated to California
- ⚠ No annual trust reviews
- ⚠ Informal fiduciary decision-making
- ⚠ Missing meeting records
- ⚠ Inconsistent account treatment
- ⚠ Confusion regarding trustee authority
- ⚠ Trust assets managed outside intended jurisdiction

Nevada TRUST COMPANY®
Managing Trusts and Investments

1 WHO IS ACTING AS TRUSTEE?

Questions to consider:

- ❑ Where do trustees reside?
- ❑ Who is making fiduciary decisions?
- ❑ Are trustee meetings documented?
- ❑ Is authority clearly delegated?
- ❑ Are roles operationally consistent with trust documents?

WHY IT MATTERS:
Trustee residency and admin activity may affect state tax treatment, audit exposure, and situs consistency.

2 WHERE IS ADMINISTRATION ACTUALLY OCCURRING?

Important Operational Considerations

- ❑ Location of records and books
- ❑ Trust bank and custodial accounts
- ❑ Trustee meetings and documentation
- ❑ Distribution approval process
- ❑ Accounting and reporting coordination

PRACTICAL OBSERVATION:
A trust may be drafted under Nevada law but operationally administered elsewhere over time.

3 CALIFORNIA BENEFICIARY ISSUES

Common Considerations

- ❑ Current vs. remainder beneficiaries
- ❑ Distribution patterns
- ❑ Accumulated income
- ❑ State filing requirements
- ❑ Beneficiary communication and reporting

PRACTICAL CPA QUESTIONS:

- ❑ Distributions tracked properly?
- ❑ K-1 allocations reviewed carefully?
- ❑ Beneficiary residence changes?
- ❑ Trust tax assumptions accurate?

4 CALIFORNIA SOURCE INCOME

Frequently Encountered Assets

- ❑ California rental property
- ❑ Pass-through business interests
- ❑ California operating companies
- ❑ California partnerships
- ❑ Real estate development activity

IMPORTANT REMINDER:
Even trusts administered outside California may still have California filing obligations if California-source income exists.

5 TRUST ADMINISTRATION DRIFT

A Common Long-Term Issue

Over time turstees move, advisors change, records become decentralized, and administration practices evolve informally.

This can create:

- ❑ Inconsistency
- ❑ Unclear situs
- ❑ Documentation problems
- ❑ Increased tax/compliance risk

WHEN ADDITIONAL REVIEW MAY BE APPROPRIATE

- Pending liquidity event
- Trustee relocation
- California property transfers
- Significant beneficiary changes
- Business succession planning
- Large concentrated positions
- Aging or overwhelmed trustees
- Family conflict
- Outdated trust structures

KEY TAKEAWAYS

- ✓ Successful trust administration is ongoing.
- ✓ The trust document along does not determine outcomes.

Long-term effectiveness often depends on:

- ✓ Consistent administration
- ✓ Clear fiduciary roles
- ✓ Accurate reporting
- ✓ Coordinated advisors
- ✓ Proactive review as circumstances evolve

FINAL THOUGHT

For multistate families, trust planning is rarely just a "Nevada issue" or a California "issue".

It is usually a coordination issue, an administration issue, and a long-term governance issue.

IMPORTANT DISCLAIMER

This summary is intended for educational discussion purposes only. Trust taxation, residency, and administration issues are highly fact-specific and should be reviewed with qualified legal and tax advisors based on each client's circumstances.

Nevada TRUST COMPANY®
Managing Trusts and Investments
Nevadatrust.com
702-696-0000