**Directed Trusts: Best Practices for Working with Advisors, Trust Protectors and Excluded Trustees – When to Say No!**

# Tax Compliance Checklist

*In addition to the factors shown in the lists for investment and distribution actions, consider including the following items.*

1. Trust Documents

*Has the following been addressed in the trust instrument?*

|  |  |
| --- | --- |
|  | A complete definition of “tax compliance”. |
|  | A clear definition of the roles and responsibilities regarding the transfer of funds needed to make any tax payments. |
|  | Language indemnifying the Directed Trustee or Administrative Trustee for any personal liability incurred as a result of tax compliance. |

1. Direction Letters

*Has the following been addressed in the direction letter?*

|  |  |
| --- | --- |
|  | If a directed trust structure, the letter should contain a statement that all information contained on the return and accompanying schedules is true, correct and complete, and that the Tax Advisor indemnifies the trustee for any liability associated with the filing. |
|  | If a directed trust structure, letter should clearly specify the given filings and amounts payable. |
|  | If an administrative trustee structure, letter should specify any directions to Administrative regarding the transferring of funds needed to make the payment. |

1. Other Concerns with directed trusts

*Has the following been considered?*

|  |  |
| --- | --- |
|  | Communicate and coordinate with Investment Advisor or Investment Trustee to make sure that liquidity is available to make any needed tax payments. |