



Cemetery and Funeral Home Trust Taxes – Are you Paying Too Much?

Cemetery and funeral home trusts are statutorily required, but there are tax planning tools available to prevent you from paying too much tax on the trust investments.

Cemetery and Funeral Home Trust Taxation

Are you missing out on potential tax savings on your cemetery trusts?

It's common for cemetery and funeral home owners to think they have little or no control over the taxation of their trusts. While cemetery and funeral home trusts (or some other funding alternative) are statutorily required, there are tax planning tools available to prevent you from paying too much tax on the trust investments. The taxation of cemetery trusts are quite different from other trusts. It's important to have a CPA that is familiar with the tax laws around the taxation of Perpetual Care and Preneed Trusts to ensure that you are not missing out on opportunities for tax savings.

Here are some items to look out for:

Preneed Trusts

- How are you reporting your income for tax purposes?
- Does a Qualified Funeral Trust (QFT) election make sense if you haven't made one already?
- Does the state in which you operate allow for enough flexibility that you could pay tax at the cemetery level as a grantor trust?
- If you own multiple locations, does the state for which you operate allow for master trust management?

Perpetual Care Trusts

- Are you filing a form 1041 and using the IRC 642(i) rules?
- Is the income being distributed to the cemetery timely enough to claim the distribution deduction and shelter trust level taxes?
- If you own multiple locations, does the state for which you operate allow for master trust management?
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How MKS&H Can Help

From copies of your trust documents, discussions with your financial managers and review of your prior returns, MKSH can sift through the details and search for potential areas of savings. MKS&H has been working with cemetery and funeral home trusts for over 30 years and has attained unique experience dealing with cemetery and funeral home trusts. Talk with your MKS&H advisor today to set up a free initial consultation to make sure you aren't paying more tax than necessary.