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A grantor lead trust is a form of charitable lead trust in which the donor of the trust is considered the owner of the trust's assets for tax purposes. The most common reason for a charitable lead trust being treated as a grantor trust is that the donor of the trust will receive the trust principal when the trust terminates.

A grantor lead trust earns an income tax deduction for the donor in the year of the gift. The amount of the deduction is equal to the present value of the income stream that the trust will provide to charity during its term. All income earned by the trust during its term, including realized capital gain income, is taxable to the donor. The donor receives no deductions during the trust term as the trust makes each of its charitable payments - the donor got the whole deduction up front in the year of the gift.

Grantor lead trusts are fairly rare. They are commonly used for donors who have a windfall amount of income in one year and need a large income tax deduction in that year to offset the windfall.

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