

[Date]

[Beneficiary Name]

[Address Line 1]

[Address Line 2]

RE: Advisory Regarding Distributable Net Income (DNI) Allocation for [Trust/Estate Name]

Dear [Beneficiary Name],

This letter is to advise you of the tax implications regarding the distributions you received from [Trust/Estate Name] during the tax year ending [Date].

Under internal revenue laws, the distributions made to you are considered to carry out Distributable Net Income (DNI). This means that a portion of the distribution is taxable to you as a beneficiary, rather than being taxed at the entity level.

Summary of Allocation:

- **Total Distribution Received:** \$[Amount]
- **Portion Allocated as Taxable Income:** \$[Amount]
- **Portion Allocated as Non-Taxable Principal:** \$[Amount]

The character of the income (e.g., interest, dividends, capital gains) will be detailed on the enclosed Schedule K-1 (Form 1041). You are required to report the taxable portion of this DNI on your individual income tax return for the current year.

Please provide this information and the attached Schedule K-1 to your tax preparer. We recommend consulting with a tax professional to determine how this allocation impacts your specific tax liability.

If you have any questions regarding these figures, please contact our office.

Sincerely,

[Your Name/Name of Trustee]

[Title]

[Phone Number]