

NEWS

U.S. Supreme Court decision striking down state taxation of foreign trust income

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Charlotte Litigation Members Tom Myrick and Neil Bloomfield argued and won at every level of the North Carolina judicial system over the last eight years establishing that North Carolina's taxation of the Kimberley Rice Kaestner 1992 Family Trust, a New York based trust, violated the Due Process Clause of the U.S. Constitution. In a lengthy, well-reasoned opinion, the North Carolina Business Court held the state did not have the power to tax an out of state trust based solely on the existence of an in-state beneficiary because the trust and the beneficiary are legally distinct entities. The North Carolina Court of Appeals affirmed the decision relying on U.S. Supreme Court precedent. The North Carolina Supreme Court concluded the State's attempt to tax was unconstitutional because a beneficiary could not provide a sufficient nexus to the out-of-state trust. On April 16, Myrick appeared before the U.S. Supreme Court and on June 21 the Court, in a unanimous decision authored by Justice Sonia Sotomayor, agreed with the North Carolina Supreme Court that the residency of a beneficiary who did not receive distributions from the trust was insufficient nexus to tax the worldwide income of the trust.

The Court's opinion can be found [here](#).