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# a trust may be subject to california income taxation if the trustee resides in california

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California aggressively taxes non-grantor trusts. A non-grantor trust with a California resident trustee may be subject to California income taxation even if none of the assets of the trust are located in California, none of the beneficiaries reside in California and the trustor never lived in California. This often comes as a shock to trustors, trustees, and their respective accountants and estate planning attorneys.

California income taxes on the income of such a trust could be significant. California income tax rates are as high as 13.3%, and there is no preferential capital gains tax rate. Since the requirement to pay California income taxes may not be discovered for many years, the trust also could owe interest and penalties.

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