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**PITCAIRN TAX EXPERT CALLS FOR CLARIFICATION
ON TAX ISSUES FOR TRUSTS AND ESTATES**

**Passive Losses under IRC Section 469
Still Confusing after More than 20 Years**

New York, NY (May 20, 2009)—For more than 20 years the Treasury Department, specifically the Internal Revenue Service (IRS), has yet to provide guidance on the deductibility of losses from passive activities for trusts and estates, says David R. Nave, senior vice president and tax director of Pitcairn, a leading multi-family office, before the 2009 Estate Administration Conference here today. In a presentation entitled, “Trusts with Passive Activities,” Nave pointed out the lack of guidance concerning Section 469 of the Internal Revenue Code and the passive loss rules with subchapter J. Acknowledging that there are larger matters for Treasury to address, Nave said: “But the federal government also must attend to the details to ensure society runs efficiently and equitably and eliminate the potential for abuse.” He added: “Taxpayers and administrators have been left to fend for themselves in a complete vacuum.”

Treasury Regulations Section 1.469-5T (g) was reserved for providing rules applicable to trusts and estates regarding the definition of material participation for a fiduciary entity. To date these regulations have not been issued. Each year the IRS and the Treasury Department release their Priority Guidance Plan listing their priorities for tax regulations and other administrative guidance for the next fiscal year. “To date the passive rules for trusts and estates have not made it to the list,” complained Nave.

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Before the 1986 Tax Reform Act, there was a real concern about the extensive use of tax shelters. To curtail the practice, Congress included Section 469, which contains the passive loss rules that make it more difficult to take deductions for these losses. However, Nave said: “They overlooked or ignored the complexities of Subchapter J in applying the passive loss provisions. This omission has left trustees and tax practitioners with many unanswered questions.”

About Pitcairn

Pitcairn is one of the world’s preeminent multi-family offices, dedicated to helping families sustain and grow the substantial, and often complex, financial assets and the unique heritage of its clients across multiple generations. Pitcairn has been recognized as an innovator and leader in the multi-family office industry since its inception as a family office in 1923. Today, Pitcairn continues to redefine the family office experience for generations of the world’s wealthiest families.

For a copy of the full presentation by David R. Nave, senior vice president and tax director of Pitcairn, or to discuss this issue further, contact Ronna Gyllenhaal at 215-881-6148 or email r.gyllenhaal@pitcairn.com or Fred Bona at 973-331-9850 or email Bona888NJ@aol.com.

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