

Instructions for PA-41 Schedule DD Distribution Deductions

What's New

For tax year 2011, the PA-41, Pennsylvania Fiduciary Income Tax Return Tax Booklet forms and schedules will not be printed or mailed.

The PA-41 Schedule DD/D is no longer available. It has been replaced by separate schedules DD and D which are available on the department's website under Forms and Publications for personal income tax.

Forms and schedules can also be obtained through one of the Forms Ordering Services. See Forms and Publications in the left navigation menu on the department's website or refer to Taxpayer Services and Assistance in the PA-41, Fiduciary Income Tax Return instructions.

General Information

Purpose of Schedule

An estate or trust must report its income as if it were both a resident estate or trust and a nonresident estate or trust.

Column A is used for the calculation as a resident estate or trust including all income from all sources.

Column B is for the calculation as a nonresident estate or trust including income only from Pennsylvania sources.

This is necessary in order to provide information concerning income that may be taxable to Pennsylvania and for showing income allocable to both resident and nonresident beneficiaries.

Form Instructions

Name

Enter the complete name of the estate or trust as shown on the PA-41, Fiduciary Income Tax Return.

FEIN or Decedent's SSN

Enter the 9-digit federal employer identification number (FEIN) of the estate or trust or the decedent's Social Security number as shown on the PA-41, Fiduciary Income Tax Return.



An estate with a FEIN should not use the decedent's Social Security number.



If the estate or trust is a resident estate or trust and all the beneficiaries are residents of Pennsylvania, only Column A must be completed. Otherwise, Columns A and B must be completed.

Line Instructions

Line 1

Total Income from Line 7 of the PA-41 Fiduciary Income Tax Return

Column A – Line 1a

Enter in Column A, Line 1a the income reported as if this were a resident estate or trust.

If this is a resident estate or trust, enter the amount from the PA-41, Fiduciary Income Tax Return, Line 7.

If this is a nonresident estate or trust, a separate calculation of the income must be made to report all the income from all sources as if this were a resident estate or trust.

Column B – Line 1b

Enter in Column B, Line 1b the amount of Pennsylvania taxable income reported as if this were a nonresident estate or trust.

If this is a nonresident estate or trust, enter the amount from the PA-41, Fiduciary Income Tax Return, Line 7.

If this is a resident estate or trust, a separate calculation of income must be made to include only the taxable income from Pennsylvania sources as if this were a nonresident estate or trust.

If this income is derived solely from interest, dividends, and/or the sale, exchange, or disposition of intangible property (stocks, bonds, business interests, etc.), this figure will be zero.

Line 2

Income Included in Line 1 Above But Not Distributable/ Distributed Under State Law or the Governing Instrument

Column A – Line 2a

Enter in Column A, Line 2a the dollar amounts of gross income which, pursuant to the terms of the governing instrument or under applicable law, is unconditionally required to be either retained, accumulated or set aside for future distribution or disbursement or currently applied to discharge, satisfy, or reduce any person's legal obligations.

Also included in this line are any amounts that are permanently set aside for future distribution to a purely religious, charitable, scientific, literary, or educational organization. This would include those amounts that are shown on Line 16 of this schedule.

Column B – Line 2b

Enter in Column B, Line 2b the dollar amounts of gross income allocable to Pennsylvania, which pursuant to the terms of the governing instrument or under applicable law is unconditionally required to be either retained, accumulated or set aside for future distribution or disbursement or currently applied to discharge, satisfy or reduce any person's legal obligations.

Also included in this line are any amounts that are permanently set aside for future distribution to a purely religious, charitable, scientific, literary, or educational organization. This would include those amounts that are shown on Line 16 of this schedule.

Line 3 Taxable Income Available for Distribution

Column A – Line 3a

Enter in Column A, Line 3a the amount obtained by subtracting Line 2a from Line 1a to arrive at the taxable income to be distributed.

Column B – Line 3b

Enter in Column B, Line 3b the amount obtained by subtracting Line 2b from Line 1b to arrive at the Pennsylvania taxable income to be distributed.

Line 4 Total Distributable/ Distributed Nontaxable Income

Column A – Line 4a

Enter the amount of nontaxable gross receipts for the taxable year that is both;

- Not required under laws applicable to the administration of estates or trusts or the governing instrument to be retained for future distribution or disbursement or to be currently applied to discharge, satisfy, or reduce any person's legal obligations; and
- Derived from the ownership or disposition of an obligation issued by the federal government, Pennsylvania or their instrumentalities or life insurance, annuity, and endowment contracts.

Line 5 All Income Available for Distributions

Column A – Line 5a

Add the amounts on Lines 3a and 4a. This amount represents the total income available for distribution from both taxable and nontaxable sources.

Line 6 Column A – Line 6a

Divide the amount on Line 3a by the amount on Line 5a to determine the percentage. Calculated to four decimal places, . percent of the total taxable income (Line 3a) available for distribution compared to the total income available for distribution (Line 5a).

If Line 3a and Line 5a are the same, this line will be 100 percent.

Example. Percentage conversion.
 $0.755555 = 75.5555$ percent

Line 7 Column B – Line 7b

Divide the amount on Line 3b by the amount on Line 5a to determine the percentage. Calculated to four decimal places, . percent of the total Pennsylvania-source taxable income (Line 3b) available for distribution compared to the total income available for distribution (Line 5a).

If Line 3b is zero, the percentage will also be 0 percent.



If you are filing for an estate, enter zero on Lines 8a, 9a, and 10a, and proceed to Line 11a.

Line 8 Total Required to be Distributed

Column A – Line 8a

For a trust, enter the total of all amounts, whether taxable or not and whether from income or corpus or not, which are specifically required under the governing instrument to be distributed during the taxable year, whether actually distributed or not.

Line 9 Column A - Line 9a

For a trust, enter the amount of income specifically required under the governing instrument to be distributed during the taxable year that has been actually distributed, and/or the amounts that have or have not been actually distributed, but, under the governing instrument, are to be paid exclusively out of corpus.

Line 10 Total Distributable Currently

Column A – Line 10a

Subtract the amount on Line 9a from the amount on Line 8a to determine the total amount of undistributed income that the trust must distribute currently.

Line 11 Total Cash Distributed

Column A – Line 11a

Estates or trusts should enter the total dollar amount of cash distributions made to beneficiaries during the taxable year.

Do not include amounts properly paid out of corpus as gifts or bequests of specific sums of money or that was required to be distributed in any prior taxable year, but was not.

Line 12 Total Property Distributed

Column A – Line 12a

Estates or trusts should enter the total market value of property distributions made to beneficiaries during the taxable year.

Do not include property distributed in-kind as a gift or bequest of specific property.

Line 13 Total Distributable/Distributed

Column A – Line 13a

Add Lines 10a, 11a, and 12a to arrive at the total amount distributed/distributable by the estate or trust.

Line 14a Column A - Line 14a

Enter in Column A, Line 14a the product of multiplying Line 13a, the amount distributed/distributable, by the percentage on Line 6a.

This is the amount of the total amount distributed/distributable that is allocable to taxable income.

Line 14b Column B – Line 14b

Enter in Column B, Line 14b the product of multiplying Line 13a, the amount distributed/distributable, by the percentage on Line 7b.

This is the amount of the total amount distributed/distributable that is allocable to Pennsylvania-source taxable income.

Line 15

Deduction for Distribution

Resident estates or trusts should enter the lesser of Line 3a, the total taxable income to be distributed, or Line 14a, the amount of allocated total income actually distributed/distributable.

This amount should equal the total amount shown on the PA-41 Schedule RK-1, Line 6.

Nonresident estates or trusts should enter the lesser of Line 3b, the total income allocable to Pennsylvania sources to be distributed, or Line 14b, the amount of allocated Pennsylvania-source income actually distributed/distributable.

This amount should equal the total amount shown on the PA-41 Schedule NRK-1, Line 4.

Line 16

Charitable Distribution Deduction

Resident estates or trusts should enter the amount of taxable income included in PA-41 Schedule DD, Line a, for which a charitable distribution deduction is allowed.

Nonresident estates or trusts should enter the amount of Pennsylvania-source taxable income included in PA-41 Schedule DD, Line 2b for which a charitable distribution deduction is allowed.



Caution. This deduction is only allowed if the governing instrument requires that all or a part of the income is set aside for a purely religious, charitable, scientific, literary or educational organization and this amount cannot be set aside to benefit a taxable beneficiary.

For example, if there is a possibility that the amount may be used to make up part of a payment of a guaranteed amount to a taxable beneficiary, this amount may not be deducted.

An estate or trust qualifies for a charitable distribution deduction if it is unconditionally required under applicable law, or its governing instrument, to retain and permanently set aside all or a determinable part of its retained total income for the taxable year exclusively for the benefit of a purely religious, charitable, scientific, literary, or educational organization.

This line contains only the portion of the income from Lines 2a, 2b, or both, that satisfies the conditions in the preceding sentence.

No amount included on Line 2a or 2b of PA-41 Schedule DD will be considered to be permanently set aside, or to be used, exclusively for the benefit of such organizations unless, under applicable law, or the terms of its governing instrument and the circumstances of the particular case, the possibility that the amount set aside, or to be used, will not be disbursed, distributed, or used for the benefit of such an organization is so remote as to be negligible.

Example. Where there is a possibility of the invasion of corpus of a charitable remainder trust in order to make payment of the annuity amount or unitrust amount, the estate or trust may not take a deduction.

Calculation of Charitable Distribution Deduction

If applicable law or governing instrument specifically provides the source from which the estate or trust shall set aside proceeds or receipts exclusively for charity, the amount of the charitable deduction is the amount which would be properly reported on PA-41 Schedule DD, Line 1a or PA-41 Schedule DD, Line 1b in the case of a nonresident estate or trust, where such receipts or proceeds are the only items of income for the year.

Otherwise, the charitable deduction is that portion of the amount reported on PA-41 Schedule DD, Line 2a or PA-41 Schedule DD, Line 2b in the case of a nonresident estate or trust, which the amount actually retained, accumulated, and set aside for the taxable year exclusively for the benefit charity bears to the total amount actually retained, accumulated, and set aside for the taxable year.

Line 17

Total Deduction from PA Schedule DD

Add Lines 15 and 16. Enter the result here and on the PA-41, Fiduciary Income Tax Return, Line 8.