

# 1996 PA-41

PA-41 (09-96)

Commonwealth of Pennsylvania  
Department of Revenue  
Bureau of Individual Taxes  
Harrisburg, PA 17128-0505

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**PAID**  
COMMONWEALTH  
OF  
PENNSYLVANIA  
DEPARTMENT OF  
REVENUE

## PA Fiduciary Income Tax Forms and Instructions

This booklet contains the 1996 PA Fiduciary Income Tax forms and instructions for resident and nonresident estates and trusts.

### PA and Federal Schedules and Forms.

In some instances, you may file a copy of the federal Schedule B, C, E or F that you submitted with the Form 1041, instead of the required PA schedule. You may submit federal schedules but you must also provide a detailed statement of the nature and amount of any adjustments made for PA purposes.

**Important:** Amounts from the Form 1041 may not be correct for the PA-41. See the instructions for each class of income regarding the use of federal schedules.

Read all instructions carefully before completing your return.

**Returns must be postmarked by midnight Tuesday April 15, 1997.**

### New for 1996 Returns.

**Taxpayer Identification Label.** In response to taxpayer requests, the Department is again using labels. Behind this cover is an insert with a preprinted label. Affix this label to the PA-41 being filed. If any of the preprinted information is wrong, make the corrections directly on the preprinted label before affixing it to the PA-41. Please double check the employer identification number (EIN) to avoid duplications and insure the accurate credit of any 1996 estimated payments made by the estate or trust.

**EIN/NAME/ADDRESS CHANGE Box.** If the EIN, estate or trust name, fiduciary name or address is different from the 1995 PA-41, check the box on the PA-41.

### Reminders for 1996 Returns.

**Payment Voucher.** The Department is again providing the preprinted form with which to pay any PA Fiduciary Income Tax due. The PA-V is on the insert behind this cover. When you file, place the PA-V and check in the same envelope. The Department will use this form to process the payment on our automated equipment. Using the PA-V saves time and reduces costs. If any of the

preprinted information on the PA-V is incorrect, **do not use it.** Follow the PA-V Instructions and the Mailing Instructions on page 13. If you owe no tax, do not use the PA-V. Please do not use it for any other tax payment – discard it.

**School District Code.** Enter the school district code for the estate or trust, see page 10. Based on these codes, information is provided to the PA Department of Education for use in calculating school district subsidies. Using a wrong or incorrect code may affect a school district's funding.

**Rounding Amounts.** Please do not enter cents on the PA-41. Round all amounts to whole dollars. Rounding amounts expedites processing of fiduciary returns.

**Math Errors.** Double check all calculations before completing your return. **Remember:** Estates and trusts must classify income and [losses] according to PA law. A [loss] in one class of income may not be used to reduce income or gain in another class. Complete the **Tax Due** and **Overpayment** lines. If there is an **Overpayment**, be sure the refund and/or credit line amounts are accurate.

**Mailing Instructions.** See page 13.

**Forms Ordering.** You may order any PA tax form or schedule by calling one of these special 24-hour answering service numbers:

- 1 **In Pennsylvania 1-800-362-2050;**
- 1 **Outside Pennsylvania and within local Harrisburg area (717) 787-8094;**
- 1 **For Hearing Impaired Only TDD # (717) 772-2252**

Send written requests to: PA Department of Revenue, Tax Forms Service Unit, 2850 Turnpike Industrial Drive, Middletown, PA 17057-5492. All material will be mailed directly to you.

The Department also provides general information, tax forms and schedules on the Internet at <http://www.revenue.state.pa.us>, and through our e-mail address: [pavev@epix.net](mailto:pavev@epix.net). In February, 1997, the Department will also provide toll-free assistance through recorded messages at **1-888-PATAXES (728-8237)** or in the **local Harrisburg area (717) 772-9739.**

# 1996 PA-41

## REVENUE DISTRICT OFFICES

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**Altoona**

Cricket Field Plaza  
615 Howard Avenue  
Altoona, PA 16601-4867  
**(814) 946-7310**

**Bethlehem**

44 East Broad Street  
Bethlehem, PA 18018-5998  
**(610) 861-2000**

**Bradford**

Second Floor  
86 Boylston Street  
Bradford, PA 16701-2011  
**(814) 368-7113**

**Doylestown**

Suite 104  
600 Louis Dr.  
Warminster, PA 18974-2846  
**(215) 443-2990**

**Erie**

Sumner Nichols Building  
Room 216  
155 West Eighth Street  
Erie, PA 16501-1012  
**(814) 871-4491**

**Greensburg**

Second Floor  
15 West Third Street  
Greensburg, PA 15601-3003  
**(412) 832-5283**

**Harrisburg**

Lobby  
Strawberry Square  
Harrisburg, PA 17128-0101  
**(717) 783-1405**

**Indiana**

835 Water Street (Rear)  
Indiana, PA 15701-1705  
**(412) 357-7600**

**Johnstown**

Central Park Commons Bldg.  
Second Floor  
428 - 430 Main Street  
Johnstown, PA 15901-1823  
**(814) 533-2495**

**Lancaster**

160 East King Street  
Lancaster, PA 17602-2869  
**(717) 299-7581**

**New Castle**

Room 201  
101 South Mercer Street  
New Castle, PA 16101-3837  
**(412) 656-3203**

**Newtown Square**

Suite 1  
90 South Newtown Street Road  
(Route 252)  
Newtown Square, PA 19073-4092  
**(610) 353-4051**

**Norristown**

Stoney Creek Office Center  
4th Floor  
151 West Marshall Street  
Norristown, PA 19401-4739  
**(610) 270-1780**

**Philadelphia**

State Office Building  
Room 201  
1400 W. Spring Garden St.  
Philadelphia, PA 19130-4088  
**(215) 560-2056**

**Pittsburgh**

State Office Building  
Suite 104  
300 Liberty Avenue  
Pittsburgh, PA 15222-1210  
**(412) 565-7540**

**Pottsville**

110 East Laurel Blvd.  
Pottsville, PA 17901-2527  
**(717) 621-3175**

**Reading**

Room 239  
625 Cherry Street  
Reading, PA 19602-1186  
**(610) 378-4401**

**Scranton**

Suite 305, Samters Building  
101 Penn Avenue  
Scranton, PA 18503-1970  
**(717) 963-4585**

**Sunbury**

335 Market Street  
Sunbury, PA 17801-3466  
**(717) 988-5520**

**Washington**

George Stewart Building  
75 East Maiden Street  
Washington, PA 15301-4963  
**(412) 223-4550**

**Wilkes-Barre**

Suite 261  
290 South Pennsylvania Blvd.  
Wilkes-Barre, PA 18701-3398  
**(717) 826-2466**

**Williamsport**

322 Locust Street  
Williamsport, PA 17701-6085  
**(717) 327-3475**

**York**

Second Floor  
130 North Duke Street  
York, PA 17401-1113  
**(717) 845-6661**

**Tax Rate.** For calendar year 1996 and fiscal years beginning in 1996, the PA tax rate is 2.8 percent (0.028).

#### Who Must File a Fiduciary Income Tax Return PA-41?

- 1 The fiduciary of a resident estate or irrevocable trust that received taxable income during its taxable year beginning in 1996.
- 1 The fiduciary of a nonresident estate or irrevocable trust that received taxable income allocable to Pennsylvania during its taxable year beginning in 1996.
- 1 If two or more fiduciaries are acting jointly, any one of the fiduciaries may file the return.

**What is an Estate?** The term estate means the estate of a deceased individual and does not include the estates of incompetents, bankrupts or insolvents.

**What is a Trust?** The term trust includes a trust created by a will and all irrevocable or revocable express trusts taking effect during the lifetime or after the death of the settlor. The term trust does not include:

- 1 A resulting or constructive trust created by operation of law;
- 1 A trust created exclusively for the benefit of creditors;
- 1 A principal and agent relationship;
- 1 A business trust or real estate investment trust;
- 1 A trust created exclusively for the benefit of employees, their families or appointees under an employee benefit plan;
- 1 A pension trust or profit-sharing trust;
- 1 A trust that is a common trust fund for Federal Income Tax purposes;
- 1 A trust:
  - a. For which no part of the income or corpus may possibly benefit any taxpayer;
  - b. For which no part of the property consists of property transferred to it (or another trust) by any taxpayer; and
  - c. That was created by an entity or enterprise other than a taxpayer.

**Note: For purposes of (a), (b) and (c), a taxpayer means any individual, estate, trust, partnership or PA S corporation; or**

- 1 A charitable trust.

**What is a Charitable Trust?** A charitable trust is a trust operated exclusively for religious, charitable, scientific, literary or educational purposes. A trust is a charitable trust only if all net earnings for the taxable year and remaining life of the trust are for distribution for such purposes. No part of the earnings of a charitable trust may benefit any private individual.

Federally qualified charitable remainder annuity trusts and charitable remainder unitrusts are not charitable trusts, during the taxable year, if any part of the trust's retained earnings may benefit any private individual in subsequent years. Trusts for the general care, maintenance or improvement of public or church cemeteries are charitable trusts.

A charitable trust does not include trusts for the care, maintenance or improvement of the burial lots of the settlor or the testator or his family.

**What is a Revocable Trust?** A revocable trust is:

1. A tentative or Totten trust; or
2. An express trust, the governing instrument of which reserves in the settlor not only the power to revoke the trust as an entirety without the declaring of new uses or the consent of any other

party; but, also the concurrent power to revest in himself or herself legal title to the corpus of the trust without the consent of any other party.

**How Estates, Irrevocable Trusts and Beneficiaries are Taxed.** The taxable income or gain of an estate or irrevocable trust is the current income or gain received, in each PA income tax class, which it retains for future distribution or disbursement or currently applies to discharge, satisfy or reduce any person's (including its own) obligations.

The taxable income of a beneficiary from an estate or irrevocable trust is the beneficiary's share of taxable income of the estate or trust for its taxable year which is required to be distributed currently, is distributed or is credited and payable to the beneficiary under the governing instrument and applicable state law.

Each estate or irrevocable trust must classify and report all income, gain and [losses] realized in the appropriate PA income class.

Each beneficiary must report his, her or its total distribution/distributable taxable income as Estate or Trust Income on a PA-40, PA-65 or PA-20S.

Neither an irrevocable trust nor an estate nor its beneficiaries are subject to tax on income or gain set aside exclusively for charitable purposes. (See **What is a Charitable Trust?**)

**Revocable Trusts vs. Grantor Trusts.** PA law varies from federal law regarding grantor trusts. For Federal Income Tax purposes, under certain conditions, the net gains or income of a trust are taxed in whole or in part to the grantor or another person who has substantial dominion or control over the trust income or corpus rather than to the trust or its beneficiaries. These federal rules are inapplicable for PA Fiduciary Income Tax purposes.

**How Revocable Trusts and Settlers are Taxed.** The income or gains received by a revocable trust are:

1. Computed in the same manner as an irrevocable trust's income or gain is computed; and
2. Deemed to be required to be distributed currently to the settlor; and
3. Taxable to, and reportable by, the settlor as Estate or Trust Income.

**How Common Trust Funds and Their Participants are Taxed.** Income of a common trust fund maintained by a bank in its capacity as trust or administrator is taxable to and reportable by each participant in the common trust fund as Estate and Trust Income, whether distributed or not.

**What is a Resident/Nonresident Estate or Trust?** A resident estate is the estate of a decedent who at the time of death was a resident individual. A resident trust is an irrevocable trust created by the will of a decedent who at the time of death was a resident individual, or any trust consisting of property transferred to a trust by a person who at the time of such creation or transfer was a resident. A nonresident estate and nonresident trust is any estate or irrevocable trust that is not a resident estate or resident trust.

**How Resident Estates or Trusts Are Taxed.** The income of a resident estate or trust, from sources both inside and outside Pennsylvania, is subject to the PA Fiduciary Income Tax. A resident estate or trust may claim a credit (line 12) if it is subject to and pays any tax to another state or country on income subject to the income tax of that other state or country and the PA Fiduciary Income Tax. This credit cannot exceed the amount of PA Fiduciary Income Tax the estate or trust owes. To claim a credit for taxes paid to another state or country, the estate or trust must obtain and complete a PA Schedule G, see Forms Ordering on the cover.

**How Nonresident Estates or Trusts or Nonresident Beneficiaries are Taxed.** A nonresident estate or trust is subject to tax only on income allocable to Pennsylvania. A nonresident estate or trust may ignore items of income, [loss], cost, expense and liability not allocable to Pennsylvania in computing the PA taxable income of such taxpayers.

The taxable income of a nonresident beneficiary from a resident or nonresident estate or irrevocable trust is the taxable income received by the estate or trust for its taxable year which:

1. Under the governing instrument and applicable state law is required to be distributed currently, is distributed or is credited and payable to the beneficiary; and
2. Is allocable to Pennsylvania.

Special allocation rules apply to each of the following:

1. Net gains or income or [loss] derived through PA S corporations, partnerships and other estates or trusts;
2. Net income or [loss] from the operation of a business, profession or farm;
3. Net gain or [loss] from the disposition of tangible property;
4. Net gain or [loss] from the disposition of intangible personal property; and
5. Net income or [loss] from the ownership of property.

To obtain information regarding these allocation rules, order the PA-65 Information for Partnerships Booklet, see Forms Ordering on the cover.

**What Income Is Taxable?** Estates and trusts must report taxable income earned or received in Pennsylvania from the following six classes:

- 1 **PA Taxable Interest** (see page 10);
- 1 **PA Taxable Dividends** (see page 10);
- 1 **Net Income or [Loss] from the Operation of a Business, Profession or Farm** (see page 11);
- 1 **Net Gain or [Loss] from the Sale, Exchange or Disposition of Property** (see page 11);
- 1 **Net Income or [Loss] from Rents, Royalties, Patents or Copyrights** (see page 12); and
- 1 **Estate and Trust Income** (see page 12).

**Damage Awards and Settlements.** Compensatory damage awards and settlements (other than in personal injury cases) constitute taxable income to the extent they represent entitlement to taxable income.

**Costs and Expenses.** Estates and trusts, like individuals, may incur ordinary, reasonable and necessary costs and expenses in:

- a. The **operation** of a business or farm;
- b. The **sale, exchange** or other **disposition** of property; and
- c. The **receipt** of rental or royalty income.

Such expenses are deductible by estates and trusts in determining the amount of net profits, net gains and net rental, royalty, patent and copyright income. As with individuals, costs and expenses attributable to earning or receiving dividend income, interest income and income from other estates or trusts are not deductible.

The following expenses cannot be deducted by an estate or trust:

- 1 Fees related to administering the estate or trust;
- 1 Inheritance, succession, estate or gift taxes or taxes based on income;
- 1 Funeral expenses;
- 1 Expenses for preservation or maintenance of non-income producing property;
- 1 Expenses related to exempt income; or
- 1 Satisfaction of personal debts of the decedent.

**Gains or [Losses].** Estates and trusts cannot offset a gain in one class of taxable income with a [loss] in any other class of taxable income, nor can gains or [losses] be carried back or forward to another tax year. If a net [loss] is realized in an income class, enter the amount in brackets [ ] on the appropriate line on the PA-41. Attach the appropriate completed schedule for each line on which income, gain or [loss] is reported.

**What Is Your Taxable Year?** Calendar year estates and trusts must report all taxable income received or accrued from January 1, 1996 through December 31, 1996.

For PA purposes, the taxable year of an estate or trust is the same as its federal taxable year. If filing on a fiscal year basis, be sure to indicate the beginning and ending date of your fiscal year on the PA-41.

**Members of Partnerships and PA S Corporations.** If the estate or trust is a member of a partnership or a shareholder in a PA S corporation, it must report its share of the income or [loss] whether it was or was not distributed to the estate or trust. Report the share of the income of the partnership or PA S corporation in the same class in which the partnership or PA S corporation received the income.

Each resident estate or trust which is a partner in a partnership must attach to its PA-41 the PA Schedule RK-1 it receives from the partnership. Each nonresident estate or trust which is a partner in a partnership must attach to its PA-41 the PA Schedule NRK-1 it receives from the partnership.

Each resident estate or trust which is a shareholder in a PA S corporation must attach to its PA-41 the PA Schedule RK-1 it receives from the PA S corporation. Each nonresident estate or trust which is a shareholder in a PA S corporation must attach to its PA-41 the PA Schedule NRK-1 it receives from the PA S corporation.

**Special Rules.** All of the following must be determined under the terms of the governing instrument and the laws applicable to the administration of estates and trusts:

- 1 Whether an item of receipt or expense is allocable to corpus or income; and
- 1 What part, if any, of the undistributed net income of a trust (for administration purposes) is required to be added to corpus; and
- 1 Whether property distributed in kind is distributed as a gift or bequest of specific property; and
- 1 Whether an amount is properly paid out of corpus as a gift or bequest of a specific amount of money; and
- 1 Whether payment of a distribution is directed without reference to the existence or absence of income; and
- 1 Whether an amount is required to be distributed and whether such amount must be paid out of income, or corpus, or may be paid out of either income or corpus.

In determining whether an amount set aside or used for a purpose includes particular items of income received by an estate or trust, the specific provisions control if the governing instrument specifically provides the source out of which amounts are to be permanently set aside or used. In the absence of specific provisions in the governing instrument, the amount shall be deemed to consist of the same proportion of each class of the items of income of the estate or trust as the total of each class bears to the total of all classes.

In determining whether income derived from a partnership, PA S corporation, estate or trust is required to be distributed currently, or is distributed or credited to a beneficiary, the excess of the PA taxable income derived through such partnership, PA S corporation, estate or trust over the amount of distributions or withdrawals therefrom shall be considered to be income which is required to be retained, accumulated or set aside.

**When to File?** The PA-41 for calendar year 1996 must be filed by midnight, Tuesday, April 15, 1997. The PA-41 for a fiscal year beginning in 1996 must be filed on or before the 15th day of the fourth

month following the close of the fiscal year. The PA-41 for a short year is due the 15th day of the fourth month following the close of the short year.

**Extension of Time to File.** If a fiduciary is granted an extension of time for filing a Form 1041, the same extension will be automatically granted for filing the PA-41. You may also request a PA extension of time for filing the PA-41 by submitting an "Application for Extension of Time to File", form REV-276, to the PA Department of Revenue.

Neither extension can exceed six (6) months unless the fiduciary is outside the United States. Attach a copy of the extension to the front of the PA-41 when it is filed.

Mail the extension application and any payment to the PA Department of Revenue, Bureau of Individual Taxes, Dept. 280504, Harrisburg, PA 17128-0504.

For either extension, you must pay the amount reasonably estimated as your PA tax due on or before the original due date. These payments should be included on line 11 of the PA-41. An extension of time to file a tax return does not extend the time for payment of the tax. If the amount paid on or before the original due date is at least 90 percent of the total tax actually due and the balance is paid with the tax return when it is filed, no underpayment penalty will be charged. However, interest will be charged on the amount not paid by the original due date. You will not receive an approval letter from the Department if your request for extension has been accepted. Only if the Department has a question concerning your request will you receive correspondence.

**Estimated Tax.** Estates or trusts which expect to owe \$70 or more of PA tax must make a declaration and estimated installment payments. The estimated tax forms are being sent to estates and trusts which made 1996 payments. If you do not receive the 1997 estimated tax forms for the estate or trust, contact the nearest Revenue district office or call a Forms Ordering number on the cover. If making estimated tax payments for the first time, request form PA-40ESR, instructions REV-413F and worksheet REV-414F.

**Filing Amended Returns.** It is not necessary to attach a complete copy of the original PA-41. Use a PA-41 from the same tax year you are amending. **For example:** To amend for 1995 and 1996, use a 1995 and a 1996 PA-41.

Clearly print **AMENDED RETURN** at the top. Then, follow these steps:

1. Enter the amounts from the original PA-41 that **are not** being amended.
2. Enter the amended amounts. Explain the reason for filing an amended return and attach the forms or schedules supporting the amended amounts.
3. Calculate the amended Net PA Taxable Income.
4. Calculate the PA Tax Liability. If the estate or trust received a refund on its original return, add that amount to the PA Tax Liability.
5. Calculate the Total Payments and Credits. If the estate or trust paid tax with its original return, add that payment to the Total Credits and Payments.
6. Calculate the amended Tax Due or Overpayment. If an overpayment, be sure to complete lines 17a and 17b.

The Department will take the original refund or payment into account when reviewing the amended PA-41. Be sure to sign the amended return.

Mail the amended return, with all explanations and attachments, to:

PA Department of Revenue  
Bureau of Individual Taxes  
Dept. 280502  
Harrisburg, PA 17128-0502

**Overpaid PA Fiduciary Income Tax.** If the estate or trust overreported income or failed to claim all allowable credits on the original PA-

41, you must file an amended PA-41 within three years from the time the original PA-41 was required to be filed.

**Important.** An amended PA-41 may not be filed after an assessment has been issued if the amendment relates to the same taxable year and item of income, gain, deduction or [loss] involved in the assessment. In this instance, either file a timely petition for reassessment or pay the assessment and file a timely refund petition to claim a refund. Order the Petition, REV-65, by calling a Forms Ordering number on the cover.

**Underreported Income.** If, at any time after filing the PA-41, you discover that the estate or trust has underreported the tax or erroneously claimed credits or deductions to which it was not entitled and which would increase its taxable income, you must correct the error within 30 days by filing an amended PA-41. The estate or trust must pay the additional tax, plus applicable penalty and interest.

**Records Must Be Maintained.** All amounts reported on the PA-41 and accompanying schedules are subject to verification and audit by the Department. Books and records must be maintained for at least four years after filing to verify any information reported on the PA-41.

**Penalties For Not Filing Or For Filing A Late Return.** If you do not file the PA-41 on or before the due date, or if you do not file the PA-41 on or before the date to which an extension was granted, then for each month or fraction of a month the PA-41 is late a 5 percent penalty will be imposed, unless reasonable cause for late filing is shown. The maximum penalty is 25 percent. The minimum penalty is \$5. Any estate or trust or fiduciary that attempts to evade or defeat their PA Fiduciary Income Tax responsibility may be prosecuted.

**Interest For Nonpayment Or For Late Payment Of Your Tax.** If the tax due is not paid on or before the due date, interest will be computed from the date the tax was due and payable to the date of payment. The annual interest rate is that rate established by the U.S. Secretary of the Treasury and which is in effect on January 1 of each calendar year.

#### Penalties For Nonpayment Or For Late Payment Of The Tax.

1. If the full amount of tax due is not paid before or with the PA-41, a 5 percent underpayment penalty will be imposed.
1. If an amount of taxable income that is more than 25 percent of the taxable income shown on the PA-41 is not reported, an additional penalty of 25 percent of the tax due on the unreported income will be imposed.

These penalties will be imposed if the underpayment of tax is due to negligence or intentional disregard of rules and regulations, but without intent to defraud.

1. If any part of any underpayment of the tax is due to fraud, 50 percent of the underpayment will be added to the tax.

**Important.** An estate or trust may be assessed both late filing and underpayment penalty if the PA-41 is filed after the due date (or extended due date) and the tax due is not paid with the return.

Any taxpayer who files a return which does not contain sufficient information on which to determine the correct liability or which contains information which indicates the liability is significantly incorrect and the return is filed frivolously or in a manner to delay or impede the administration of the tax law shall pay a \$500 penalty. Any person required to furnish an information return who furnishes a false or fraudulent return shall be subject to a penalty of \$50 for each failure.

**Governing Instrument.** A copy of the governing instrument need not be filed with the PA-41, but must be made available upon request by the Department.

#### Specific Instructions for Form PA-41

**Federal Employer Identification Number.** The EIN of the estate or trust must be entered on all schedules attached to the return and must be identical to that shown on the PA-41. If you do not have a preprint-

ed label, print or type the correct EIN. If you have not yet received an EIN, please provide the Social Security Number of the decedent.

**Name and Address.** Correct any errors on the label. If you do not have a label, print or type the name of the estate or trust, as described below, the name and the title of the fiduciary and the fiduciary's complete address, Zip Code and daytime telephone number. Print the name and EIN of the estate or trust on each schedule attached to the PA-41.

Please enter the name of the estate or trust in this form:

For an estate: Taxpayer's last name, first name and initial.

**For example:** Taxpayer, John T. Estate of

For a trust: Taxpayer's last name, first name and initial.

**For example:** Taxpayer, Mary S. Trust

**EIN/NAME/ADDRESS CHANGE Box.** Check this box **only** if the information you enter this year is different from your 1995 PA Fiduciary Tax Return. If the information on your label is the same as on your 1995 PA-41, do not check this box.

**Do not submit a separate PA-41 for each beneficiary. Use PA Schedule L to list beneficiaries.**

**Fiscal Year or Short Year.** If this return is for a period other than a calendar year, including a short year, enter the beginning and closing dates of the reporting period.

**Residency Status.** Check this box for the residency status of the estate or trust. If the estate or trust is a nonresident estate or trust, enter the name of the other state or country.

**Final Return.** Check this box if this is the last return which the fiduciary of the estate or trust is required to file. Enter the ending date. Report any income and distributions from the beginning of the estate's or trust's year to the date of closing. Attach a statement explaining the reason for the final return (such as termination or transfer of jurisdiction).

**Option for a 1997 Booklet.** Check this box if you do not use the forms provided by the Department or paid a preparer who does not use these forms. The estate or trust will not receive a booklet next year, but will receive a letter and a personalized PA-V, Payment Voucher.

**School District Code.** You must complete the school district code. A list of all school districts and accompanying codes is provided on pages 15 and 16. For estates and testamentary trusts, use the school district code where the decedent lived immediately prior to death. For inter vivos trusts, use the school district code where the settlor of the trust resided on the date the trust was created. If the decedent or settlor was or is a nonresident, enter the code 99999.

**Important.** Do not use the school district code of the fiduciary administering the estate or trust. **For example:** A trust is created by a resident of Erie and the fiduciary is a bank in Pittsburgh. The school district code to use on the PA-41 is Erie City, not Pittsburgh.

**Schedules.** Be sure to attach all completed schedules. The estate or trust name and EIN or decedent's SSN, as shown on the PA-41, must be entered on all schedules.

**Line 1. PA Taxable Interest.** Include all PA taxable interest income received during the taxable year from bank deposits, bonds, certificates of deposit, interest-bearing checking accounts, tax refunds or other obligations, etc. Dividends paid by savings and loan associations, mutual savings banks, cooperative banks and credit unions on deposits or withdrawals from accounts must be reported as interest.

Generally, Form 1099 issued by financial institutions will indicate the amount of interest received or credited from or by such institutions. Interest received on GNMA and FNMA certificates is taxable for PA purposes. Also include on line 1, the interest reported on the PA Schedules RK-1 or NRK-1 received from a partnership or PA S corporation. If the estate or trust received only a federal Schedule K-1, classify interest income according to PA rules.

**Tax Exempt Interest.** Interest received from direct obligations of the Commonwealth of Pennsylvania or its political subdivisions and from direct obligations of the United States is not taxable and should not be reported. Interest from Series E, F, G, H and EE bonds, federal treasury bills and notes is not taxable. Interest received from obligations

of federal instrumentalities is not taxable. For a complete list of exempt obligations, request form REV-1643, Tax Exempt Obligations for PA Personal Income Tax Purposes, see Forms Ordering on the cover.

Interest received from obligations of other states or countries is PA taxable income.

**Distributions from Money Market and Mutual Funds and Other Investment Companies.** Distributions from the earnings and profits of money market or mutual funds and investment trusts and companies must be reported as dividend income (see line 2) and not as interest income.

**Forfeited Interest Penalty.** Forfeited interest penalty incurred for premature redemption or withdrawal of a time savings account or certificate of deposit may be used to offset **only** the interest income from that account or certificate. It may not be used to offset other interest income. If the total penalty exceeds the interest on an account or certificate, the excess must be taken as a [loss] on PA Schedule D.

**Instructions for Schedule A.** When interest income exceeds \$1,000, complete and attach the PA Schedule A. You are not required to attach your Form(s) 1099. You may attach a copy of the federal Schedule B filed with the Form 1041, but you must make the adjustments for the differences explained above. Attach a statement to the federal schedule detailing the nature and amount of the adjustments.

**Line 2. PA Taxable Dividends.** All dividend income is reported on line 2 in the taxable year in which it is received or credited. A resident estate or trust which is a shareholder of a corporation, other than a PA S corporation, must report as taxable dividend income any distribution by a business corporation or business association out of its earnings and profits, without regard to the manner in which the business derived the income. For PA purposes, a business association is an unincorporated business enterprise which is organized in a manner similar to a business corporation. Business corporations or business associations include, but are not limited to, business trusts, federally qualified real estate investment companies, mutual funds and other federally regulated investment companies.

**Note.** If the estate or trust is a shareholder in a Subchapter S corporation in another state which is NOT also a PA S corporation, report only the cash or property actually received as dividend income on the PA-41. A corporation which elects "S" status in another state, but does not elect "PA S" status in Pennsylvania, is considered a "C" corporation for PA purposes. Do not report the amount of distributable income and do not claim a credit for any tax paid to the other state on this income.

**Mutual Funds, Money Market Funds and Investment Trusts.** Distributions, including dividends in the form of capital gains, received from mutual funds and money market funds, real estate investment trusts and other investment trusts, except for ordinary dividends from exempt PA obligations and exempt federal obligations, are fully taxable as dividends unless they are a return of capital.

#### Dividend Income Does Not Include:

1. Dividends distributed by a corporation to its stockholders in the form of stock – if the distribution is not treated as personal income for federal purposes. If the stock distribution is not taxable, the adjusted basis of the old stock must be divided between the old and new stock.
2. Distributions designated as return of capital by utility companies or other corporations. Such distributions serve to reduce the basis of stock in the corporation. Once the basis is reduced to zero, any further distributions are taxed as gain from the sale or disposition of property. (See instructions on **Return of Capital Distributions** on page 11.)
3. Dividends paid by a mutual fund or a registered investment company and designated as being Exempt-Interest Dividends from Pennsylvania in the written notice issued to the shareholder. Exclude that portion of total dividends which are designated by the fund or company as being from exempt PA obligations and exempt federal obligations. The amount designated as capital gains is fully taxable as dividend income for PA purposes. Report only the difference remaining after subtracting the amount of exempt dividends from the total dividends.

**Instructions for Schedule B.** When dividend income exceeds \$1,000, complete and attach the PA Schedule B. You are not required to attach your Form(s) 1099. You may attach a copy of the federal Schedule B filed with the Form 1041, but you must make the adjustments for the differences explained above. Attach a statement to the federal schedule detailing the nature and amount of the adjustments.

**Line 3. Net Income or [Loss] from the Operation of a Business, Profession or Farm.**

**What is a Business or Profession?** Not every activity constitutes a business or profession. A business or profession has certain features. It must meet each of the following:

1. Markets its products, goods and/or services to its customers in a marketplace; and
2. Regularly and continuously conducts its commercial activities; and
3. Does not limit or restrict its commercial activities to certain related or unrelated customers.

All net income or [loss] must be reported on PA-41. If a net [loss] is realized, enter that amount, in brackets, on line 3. A separate PA Schedule C or F must be completed and filed for each estate's or trust's business or farm if it:

1. Has net income or [loss] from a partnership or PA S corporation that did not provide a PA Schedule RK-1 or NRK-1; and/or
1. Uses different methods of depreciation for PA and federal purposes.

Otherwise, complete and file either the PA Schedule C or F or a copy of the federal Schedule C or F filed with the Form 1041.

For specific information concerning allowable adjustments to federal Schedule C or F (such as: expensing sales tax on acquired property; charitable contributions; 100% of travel and entertainment expenses; wages for which the PA Employment Incentive Payments Credit is claimed, etc.), obtain the 1996 PA-40 booklet and read the instructions for the PA Schedule C-F Reconciliation. To obtain a PA Schedule C or F or the 1996 PA-40 booklet, see Forms Ordering on the cover.

**Sale of Business Assets and Other Income Not Derived in the Ordinary Course of Business.** Gain or [loss] from the sale of an asset used in business, other than inventory or stock-in-trade, must be reported on PA Schedule D. Interest, dividend, rent and royalty income not derived in the ordinary course of business are not reportable as income or [loss] from a business, profession or farm, and expenses which are attributable to such income are not deductible business expenses.

**ACRS.** Deductions allowable under the Federal Accelerated Cost Recovery System (ACRS), including the IRC Section 179 additional first-year depreciation allowance for small businesses, are acceptable depreciation deductions for PA purposes.

**Allowable Business Expenses.** Allowable expenses are those ordinary, necessary and reasonable expenses currently paid or incurred during the taxable year that are directly related to and necessary for the production and marketing of products, goods and services. Only business expenses are allowable.

Do not deduct federal income taxes, estate, inheritance, legacy, succession and gift taxes, or assessments for any improvements or betterment. Do not deduct taxes on dwellings or household property and other taxes not related to the business. Social security and unemployment compensation taxes paid for employees can be deducted.

**Line 4. Net Gain or [Loss] from the Sale, Exchange or Disposition of Property.** List on PA Schedule D each sale, exchange or disposition of any kind of property, including real estate, tangible personal property and intangible property such as stock or other ownership interests in business enterprises, bonds, annuities and contract of insurance with refundable accumulated reserves payable upon lapse or surrender.

A gain on the disposition of property is recognized in the taxable year in which the amount realized from the conversion of the property into cash or other property exceeds the adjusted basis of such property.

A [loss] is recognized only:

1. With respect to transactions entered into for profit; and/or

2. In the taxable year in which the transaction is closed and completed by some identifiable event which fixes the amount of such [loss] so that there is no possibility of any eventual recovery.

**Installment Sales.** Enter on line 3 of PA Schedule D the amount realized from installment sales and attach PA Schedule D-1 (REV-1689), see Forms Ordering on the cover. The installment method of reporting gains from the disposition of tangible personal property or real estate, whether the sale is an isolated transaction or is from the inventory of a dealer or broker, is permitted beginning with sales made on or after January 1, 1984. The installment method must be elected if at least one payment is to be received in any taxable year after the taxable year of the sales transaction.

**Important.** The installment method is not allowed for:

1. Reporting gains from the sale of intangible personal property, such as stocks, bonds, partnership interests, etc.; or
2. Transactions where the object is the lending of money or the rendering of services; or
3. Sales where a taxpayer elects to exclude gain from the sale of a principal residence.

**Once the election to report on the installment basis is made, the estate or trust may not change its method of reporting in subsequent years.**

**Calculation.** If electing to report on PA Schedule D-1, the gain on the sale is allocated in equal proportion to the payments received and is reported in the year of the payment. Use PA Schedule D-1 to make the calculation of the taxable gain and attach it to the PA Schedule D.

**Important.** Interest received that is incidental to the sale (directly from the installment sale contract or agreement) is reported on PA Schedule D-1 or as business income on PA Schedule C or F, if the installment sale is a routine business activity.

**Repossession of Property.** Where property is sold under an installment contract and the estate or trust must repossess the property upon default of the buyer in a subsequent tax year, the basis in the property must be adjusted by the amount of gain previously reported. The estate or trust may not amend its tax return for the taxable year in which the installment sale was originally reported.

**Capital Gain Distributions** received from mutual funds or other regulated investment companies are taxable as dividends on line 2 of the PA-41.

**Federal and PA Obligations.** As a result of legislation enacted in 1993, net gain and [loss] from the sale, exchange or disposition of the following obligations are treated differently depending on the original issue date of these obligations:

1. Direct obligations of the United States, such as Series E, F, G, H and EE bonds, federal treasury bills and treasury notes;
2. Direct obligations of certain agencies, instrumentalities or territories of the United States;
3. Direct obligations of the Commonwealth of Pennsylvania and its political subdivisions.

**If these obligations were originally issued before February 1, 1994,** the net gain is not subject to PA tax nor may any [loss] realized be used to offset other gains.

[Losses] or expenses incurred from selling such PA tax-exempt obligations may not be used to offset other taxable gains or income. A sale of a mutual fund or a fixed investment portfolio trust is not considered exempt for PA purposes.

**If these obligations were originally issued on or after February 1, 1994,** the net gain must be recognized as income taxable for PA purposes and [losses] may be used to offset other gains.

**Important.** Net gain from the disposition of obligations of other states or countries is subject to the PA Fiduciary Income Tax.

**Return of Capital Distributions.** As a shareholder, an estate or trust must report as taxable gain (in the taxable year in which it was received or credited) the excess of the fair market value of any return of capital distribution over the adjusted basis of its stock. A return of capital distribution is any distribution which is not made by a business corporation out of its earnings and profits. The basis of stock or

shares shall be decreased (but not below zero) by any distribution which is not taxable as a dividend on line 2 of the PA-41.

**Property Acquired Before June 1, 1971.** Gain or [loss] on the sale, exchange or disposition of property which was acquired before June 1, 1971 is determined by subtracting the adjusted basis or the alternative basis, whichever is larger, of the property from the cash and/or property received. PA Schedule D-71 (form REV-1742) is used to report the disposition of property acquired before June 1, 1971. To obtain this schedule, see Forms Ordering on the cover.

Report on line 5 of PA Schedule D, the total net gain or [loss] from PA Schedule D-71, Sale of Property Acquired Before June 1, 1971.

**Partnership or PA S Corporation Income.** If the estate or trust is a partner or shareholder, it will receive a PA Schedule RK-1 or NRK-1 (or a federal Schedule K-1) showing its share of any net gain or [loss] realized by the sale, exchange or disposition of property by the partnership or PA S corporation. All such schedules must be attached to support the amount reported on line 6 of PA Schedule D.

**Disposition of Principal Residence.** An elective exclusion of up to \$100,000 of the gain realized on the sale, exchange, taking by eminent domain, destruction or other disposition of a principal residence is allowed **only** on the decedent's **final** PA-40 return.

**Instructions for PA Schedule D.** You must use the PA Schedule D included in this booklet.

#### LINE 1. Columns a through f.

- 1 **Column a.** List and describe the property sold or otherwise disposed of for cash or other property. For example: 60 acres of land in Dauphin County or 100 shares of ABC Inc. common stock.
  - 1 **Column b.** Enter the month, day and year you sold the property.
  - 1 **Column c.** Enter the month, day and year you acquired the property.
  - 1 **Column d.** Enter the gross sales price or fair market value of cash and/or property you received less applicable expenses of sale.
  - 1 **Column e.** Enter the adjusted basis of the property sold.
  - 1 **Column f.**
    - a. If the property is income-producing property acquired as an investment (capital stock, interest in a partnership or other business, a rental property, a patent or copyright, etc.) or if the estate or trust held the property in connection with a business, profession or farm (and it is not inventory or an operational asset), subtract Column e from Column d and then enter either the gain or the [loss] or zero in Column f.
    - b. If the property was other than income-producing property:
      1. If the adjusted basis is less than Column d, subtract Column e from Column d and enter the gain in Column f; or
      2. If the adjusted basis is greater than Column d, neither a gain nor a [loss] is realized. Enter zero in Column f.
- Line 2.** Add Column f and enter the total. Gains and [losses] may be offset to calculate this line.
- Line 3.** Enter the amount from PA Schedule D-1.
- Line 4.** Enter the total Return of Capital Distributions and subtract the amount of previously unrecovered basis.
- Line 5.** Enter the total amount from PA Schedule D-71.
- Line 6.** Enter the total net gain or [loss] from all PA Schedules RK-1 or NRK-1 received as a partner from partnerships or shareholders from PA S corporations.
- Line 7.** Total lines 2 through 6 and enter the net gain or [loss]. Gains and [losses] may be offset to calculate this line. If a net gain, enter the amount here and on line 4 of the PA-41. If a net [loss], enter the amount in brackets here and on line 4 of the PA-41.

**Line 5. Net Income or [Loss] from Rents, Royalties, Patents and Copyrights.** Rental income is income received by an estate or trust for the use of its real or tangible property. Royalties are income received upon the extraction of coal, oil, gas or other minerals or for the use of a patent or copyright.

**Net Rents.** Whether rental income or [loss] is reportable on line 5 or on line 3 as **Net Income or [Loss] from the Operation of a Business, Profession or Farm** depends upon whether the estate or trust provides the lessee with significant services. Rents do not include payments for the use or occupancy of rooms or other space if significant services also are provided to the lessee.

Generally, significant services are considered provided to the lessee if they are provided primarily for the lessee's convenience and are not customarily provided in connection with the rental of rooms or other space for occupancy only. **Example:** Providing maid service is considered to be providing significant services to the lessee. However, furnishing heat and light, cleaning public entrances, exits, elevators, stairways and lobbies and collecting trash are not considered significant services.

Significant services generally are provided with rooms in hotels, boarding houses, apartment houses that provide hotel-like services, tourist homes, motor courts or motels. Payments for parking cars usually are not rents. Payments for warehousing of goods or the use of personal property are not rents if significant services are provided in connection with the payments.

Payments for the use or occupancy of an entire private residence or living quarters in duplex or multiple housing units or offices in an office building generally are rents.

To obtain PA Schedule E and for additional instructions for reporting this class of income, obtain the PA-40 Instructions booklet, see Forms Ordering on the cover.

**Lease with Option to Buy.** A lease with an option to buy may be a purchase contract. If it is a purchase contract, payments received are payments of the purchase price and are not includable as rental income. Such income should be reported on PA Schedule D.

**Selling Mineral Interests, Patents or Copyrights.** If the estate or trust gives up all rights to mineral interests, patents or copyrights, the amounts received are considered payments for the sale or exchange of property and should be reported on PA Schedule D.

**Schedule E.** All rental and royalty income must be reported on form PA-41. If there is a net [loss], enter the amount in brackets. PA Schedule E must be completed and filed if an estate or trust:

1. Has rental or royalty income or [loss] from a partnership or PA S corporation which did not provide a PA Schedule RK- 1 or NRK- 1; or
2. Uses different methods of depreciation for PA and federal purposes.

Otherwise, complete and file either the PA Schedule E, which is not included in this booklet, or submit a copy of Part I of the federal Schedule E filed with the Form 1041. If any of the adjustments noted above are applicable, attach a detailed statement to the federal schedule describing the adjustments and amounts.

**Line 6. Estate or Trust Income.** Cash and property acquired from another estate or trust by gift, bequest, devise or inheritance are not taxable. Income received by the other estate or trust on its assets which is currently distributable or, in fact, is paid or credited to an estate or trust as a beneficiary of the other estate or trust is taxable to this estate or trust as its beneficiary.

Complete a PA Schedule J, reporting each estate and/or trust from which PA taxable income was received. To obtain PA Schedule J, see Forms Ordering on the cover.

If a resident estate or trust, enter on line 6 the amount reported as your Resident Taxable Income on the PA Schedule L provided by the other estate or trust. If a nonresident estate or trust, enter on line 6 the amount reported as your Nonresident Taxable Income on the PA Schedule L provided by the other estate or trust.

**Line 7. Total PA Taxable Income.** Add lines 1 through 6 and enter the total on line 7. Income and [losses] on these lines may not be offset to calculate line 7.

**Line 8. Deductions for Distribution to Beneficiaries.** Complete the Distribution Deduction Schedule, PA Schedule DD on page 4 or 6, to determine the allowable deductions for distribution made to beneficiaries of the estate or trust. The instructions for PA Schedule DD begin on this page.

**Line 9. Net PA Taxable Income.** Subtract line 8 from line 7.

**Line 10. PA Tax Liability.** Multiply the amount on line 9 by 2.8% (0.028). This amount is the PA tax before adjustments for payments and credits.

**Line 11. Estimated Payments and Credits.** Enter on line 11 the total of:

- Any credit carried over from the 1995 PA-41;
- All 1996 installment payments of estimated tax; and
- Any payment made with a 1996 request for extension of time to file.

**Line 12. Credit for Taxes Paid by PA Resident Estates and Trusts to Other States or Countries.** PA resident estates or trusts having income subject to both the PA tax and the fiduciary income tax of another state or country may claim a credit for all or a portion of the tax paid to the other state or country. Complete and file a PA Schedule G. To obtain a copy of PA Schedule G, see Forms Ordering on the cover.

**Line 13. Employment Incentive Payments Credit.** Estates or trusts which employ welfare recipients may qualify for an Employment Incentive Payments Credit. For additional information, contact the nearest Revenue district office listed on page 2.

**Line 14. Total Payments and Credits.** Add lines 11, 12 and 13, and enter the amount on line 14.

**Line 15. Tax Due.** If the amount on line 10 is greater than that shown on line 14, enter the tax due and pay in full with this return.

**Line 16. Overpayment.** If the amount on line 14 is greater than that shown on line 10, enter the overpayment on line 16.

**Lines 17a and 17b. Application of Overpayment.** You may request that all or any part of your overpayment as shown on line 16 be:

- Refunded to you (line 17a); and/or
- Credited to your 1997 Estimated Tax Account (line 17b).

**The total of Lines 17a and 17b must equal line 16.**

**Review Your Return.** Check the PA-41 carefully to insure all income and [losses] have been reported and all credits to which the estate or trust is entitled have been claimed. Also, check all entries to make sure they are correct. Any error could delay the processing of the PA-41.

**Signature and Verification.** Be sure that the PA-41 is signed. The PA-41 is not valid unless it is signed. The signature on the PA-41 verifies by written declaration, under penalties of perjury, that the fiduciary personally has examined the PA-41 and to the best of his or her knowledge, the PA-41 is true, correct and complete. If the PA-41 was prepared by someone other than the fiduciary or officer representing the fiduciary, the preparer must enter his or her name or the company name on the return and the telephone number.

**How To Pay.** The balance of tax due shown on the PA-41 must be paid in full with the return. A return must still be filed even though no payment is due. Make check or money order payable to **PA Dept. of Revenue.**

**Use the Payment Voucher provided on the insert to make your payment with the PA-41.** If you do not have a preprinted PA-V, attach your check to the front of the PA-41.

**Bad Check.** If your check is returned to the Department unpaid, you will be subject to a 10 percent bad check penalty (minimum of \$10) and possible criminal prosecution in addition to other penalties and interest.

#### Mailing Instructions.

If there is **Tax Due** shown on line 15 of the PA-41, mail the return, check and PA-V to:

**PA Department of Revenue  
Bureau of Receipts and Control  
Dept. 280413  
Harrisburg, PA 17128-0413**

If there is an **Overpayment** shown on line 16 of the PA-41, mail the return to:

**PA Department of Revenue  
Bureau. of Individual Taxes  
Dept. 280505  
Harrisburg, PA 17128-0505**

If **No Tax Due or Overpayment** is shown, mail the PA-41 to:

**PA Department of Revenue  
Bureau of Individual Taxes  
Dept. 280506  
Harrisburg, PA 17128-0506**

#### Instructions for PA Schedule DD, Distribution Deduction Schedule.

**Line 1a. Resident Estate or Trust.** Enter under Column A the income reportable from line 7 of the PA-41.

**Nonresident Estate or Trust.** Enter under Column A the income which would have been reportable on line 7 if it were a resident estate or trust. For the purposes of line 1a, a non-resident estate or trust must compute its total income from sources both within and outside Pennsylvania.

**Line 1b. Nonresident Estate or Trust.** Enter under Column B the amount reportable from line 7 of the PA-41.

**Resident Estate or Trust.** Enter under Column B the amount which would be reportable on line 7 if it were a non-resident estate or trust. For the purposes of line 1b, a resident estate or trust must compute its total income in the same manner as a nonresident estate or trust.

**Line 2a.** Enter under Column A the dollar amount 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.

**Line 2b.** Enter under Column B the dollar amount 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.

**Lines 3a and 3b.** Self-explanatory.

**Line 4a.** Enter the amount, if any, of the estate's or trust's nontaxable gross receipts for the taxable year that **are 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 (but only to the extent of the gain

therefrom) or life insurance, annuity and endowment contracts.

**Line 5a.** Add lines 3a and 4a to determine the amount of income available for distribution.

**Line 6a.** Divide line 3a by line 5a. This is the percentage of the estate's or trust's total taxable/nontaxable income available for distribution that represents distributable taxable income from all sources.

**Line 7b.** Divide line 3b by line 5a. This is the percentage of the estate's or trust's total taxable/nontaxable income available for distribution that represents distributable taxable income allocable to Pennsylvania.

**Note:** If you are filing for an estate, enter zero on lines 8a, 9a and 10a and proceed to line 11a.

**Line 8a.** A trust enters the total of all amounts, if any, specifically required under the governing instrument to be distributed during the taxable year, whether or not it is actually distributed.

**Line 9a.** A trust enters the total of all amounts, if any, specifically required under the governing instrument to be distributed during the taxable year that:

1. Have been actually distributed; or
2. Have not been actually distributed, but, under the governing instrument, are required to be paid exclusively out of corpus.

**Line 10a.** Subtract line 9a from line 8a to determine the trust's total amount of undistributed income required to be distributed currently.

**Line 11a.** Estates and trusts enter the total dollar amount of cash distributions made to beneficiaries during the taxable year (exclusive of amounts that are properly paid out of corpus as a gift or bequest of a specific sum of money or amounts required to have been distributed in any prior taxable year).

**Line 12a.** Estates and trusts enter the total market value of property distributions made to beneficiaries during the taxable year (exclusive of property distributed in kind as a gift or bequest of specific property).

**Line 13a.** Add lines 10a, 11a and 12a to determine the total amount distributed/distributable by the estate or trust.

**Lines 14a and 14b.** Self-explanatory.

**Line 15. Resident Estate and Trust** enters the lesser of line 3a and line 14a on line 15.

**Nonresident Estate and Trust** enter the lesser of line 3b and line 14b on line 15.

#### Special Instructions for Line 16 Charitable Distribution Deduction.

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. No amount included on lines 2a or 2b of PA 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. For 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, no deduction is allowed.

**Computation of Charitable Distribution Deduction.** If applicable law or its governing instrument specifically provides as to the source out of which the proceeds or receipts shall be set aside exclusively for charity, the amount of the charitable deduction is the amount which would be properly reported on line 1a of PA Schedule DD (or line 1b

in the case of a nonresident trust or estate) where such receipts or proceeds are the estate's or trust's only items of income for the year. Otherwise, the charitable deduction is that portion of the amount reported on line 2a of PA Schedule DD (or 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 of charity bears to the total amount actually retained, accumulated and set aside for the taxable year.

**Line 16. Resident Estate or Trust** enters the amount of taxable income included in line 2a of PA Schedule DD for which a charitable distribution deduction is allowed.

**Nonresident Estate or Trust** enters the amount of taxable income included in line 2b of PA Schedule DD for which a charitable distribution deduction is allowed.

**Line 17. Total Deduction from PA Schedule DD.** Add lines 15 and 16 and enter the total on both line 17 of Schedule DD and line 8 of the PA-41.

**Instructions for PA Schedule L.** A PA Schedule L must be provided to each beneficiary. Federal Schedule K-1 is not acceptable as it does not properly reflect the PA taxable classified income amount.

Enter on PA Schedule L, the name, complete address and identification number (EIN or SSN) of each beneficiary to whom distributions were made or required to be made during the taxable year or to whom amounts were credited and payable during the taxable year. Also compute and enter the amount of each beneficiary's Resident Taxable Income and Nonresident Taxable Income. To compute the amounts to be reported as each beneficiary's Resident Taxable Income and Nonresident Taxable Income, follow Steps 1 through 3.

- Step 1.** Compute the total dollar amount of:
- a. Cash and property distributions actually made to the beneficiary during the taxable year.
  - b. Undistributed amounts which are either credited and payable or required to be currently distributed to the beneficiary during the taxable year.

**Important. Do not** take into account:

1. Amounts that are properly paid out of corpus as a gift or bequest of a specific amount of money.
2. Amounts that were required to have been distributed in any prior taxable year.
3. The market value of property distributed in kind as a gift or bequest of specific property.

**Step 2.** To compute the beneficiary's Resident Taxable Income, multiply the amount computed in Step 1 by a fraction, the numerator of which is the lesser of line 3a or line 14a on PA Schedule DD, and the denominator of which is line 13a of PA Schedule DD.

**Step 3.** To compute the beneficiary's Nonresident Taxable Income, multiply the amount computed in Step 1 by a fraction, the numerator of which is the lesser of line 3b or line 14b of PA Schedule DD, and the denominator of which is line 13a of PA Schedule DD.

#### Math Check.

**Resident Estate or Trust.** The totals of the Resident Taxable Income should equal the estate's or trust's distribution deductions (line 15, PA Schedule DD).

**Nonresident Estate or Trust.** The totals of the Nonresident Taxable Income should equal the estate's or trust's distribution deductions (line 15 of PA Schedule DD).

# PENNSYLVANIA SCHOOL DISTRICTS AND CODES BY COUNTY page 15

SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE
<b>ADAMS</b>		<b>BERKS</b>		Palmerton Area . . . . .13650		Middletown Area . . . . .22600	
Bermudian Springs . . . . .01110		Antietam . . . . .06050		Panther Valley . . . . .13660		Millersburg Area . . . . .22610	
Conewago Valley . . . . .01160		Boyertown Area . . . . .06075		Weatherly Area . . . . .13900		Steeleton Highspire . . . . .22800	
Fairfield Area . . . . .01305		Brandywine Heights Area . . . . .06085		<b>CENTRE</b>		Susquehanna Township . . . . .22830	
Gettysburg Area . . . . .01375		Conrad Weiser Area . . . . .06110		Bald Eagle Area . . . . .14100		Susquenita . . . . .50600	
Littlestown Area . . . . .01520		Daniel Boone Area . . . . .06150		Bellefonte Area . . . . .14110		Upper Dauphin Area . . . . .22900	
Upper Adams . . . . .01852		Exeter Township . . . . .06200		Keystone Central . . . . .18360		Williams Valley . . . . .54880	
<b>ALLEGHENY</b>		Fleetwood Area . . . . .06250		Penns Valley Area . . . . .14700		<b>DELAWARE</b>	
Allegheny Valley . . . . .02060		Governor Mifflin . . . . .06300		Philipsburg-Osceola Area . . . . .17700		Chester Upland . . . . .23123	
Avonworth . . . . .02075		Hamburg Area . . . . .06350		State College Area . . . . .14800		Chichester . . . . .23130	
Baldwin Whitehall . . . . .02110		Kutztown Area . . . . .06400		Tyrone Area . . . . .07800		Garnet Valley . . . . .23410	
Bethel Park . . . . .02125		Muhlenberg Township . . . . .06550		<b>CHESTER</b>		Haverford Township . . . . .23450	
Brentwood Borough . . . . .02145		Oley Valley . . . . .06650		Avon Grove . . . . .15050		Interboro . . . . .23510	
Carlynton . . . . .02160		Reading . . . . .06700		Coatesville Area . . . . .15190		Marple Newtown . . . . .23550	
Chartiers Valley . . . . .02175		Schuylkill Valley . . . . .06750		Downingtown Area . . . . .15200		Penn Delco . . . . .23690	
Clairton . . . . .02190		Tulpehocken Area . . . . .06800		Great Valley . . . . .15350		Radnor Township . . . . .23760	
Cornell . . . . .02210		Twin Valley . . . . .06810		Kennerd Consolidated . . . . .15400		Ridley . . . . .23770	
Deer Lakes . . . . .02225		Upper Perkiomen . . . . .46860		Octorara Area . . . . .15650		Rose Tree Media . . . . .23790	
Duquesne City . . . . .02250		Wilson . . . . .06910		Owen J. Roberts . . . . .15660		Southeast Delco . . . . .23840	
East Allegheny . . . . .02280		Wyomissing . . . . .06935		Oxford Area . . . . .15670		Springfield . . . . .23850	
Elizabeth Forward . . . . .02315		<b>BLAIR</b>		Phoenixville Area . . . . .15720		Unionville-Chadds Ford . . . . .15850	
Fort Cherry . . . . .63240		Altoona Area . . . . .07050		Spring Ford Area . . . . .46730		Upper Darby . . . . .23945	
Fox Chapel Area . . . . .02391		Bellwood Antis . . . . .07100		Tredyffrin Easttown . . . . .15780		Wallingford Swarthmore . . . . .23960	
Gateway . . . . .02410		Claysburg-Kimmel . . . . .07150		Twin Valley . . . . .06810		West Chester Area . . . . .15900	
Hampton Township . . . . .02460		Holidaysburg Area . . . . .07350		Unionville-Chadds Ford . . . . .15850		William Penn . . . . .23965	
Highlands . . . . .02475		Spring Cove . . . . .07750		West Chester Area . . . . .15900		<b>ELK</b>	
Keystone Oaks . . . . .02500		Tyrone Area . . . . .07800		<b>CLARION</b>		Brockway Area . . . . .33070	
McKeesport Area . . . . .02600		Williamsburg Community . . . . .07900		Allegheny Clarion Valley . . . . .16030		Forest Area . . . . .27200	
Montour . . . . .02630		<b>BRADFORD</b>		Armstrong . . . . .03085		Johnsonburg Area . . . . .24350	
Moon Area . . . . .02634		Athens Area . . . . .08050		Clarion Area . . . . .16120		Kane Area . . . . .42230	
Mount Lebanon . . . . .02640		Canton Area . . . . .08100		Clarion-Limestone Area . . . . .16170		Ridgway Area . . . . .24600	
North Allegheny . . . . .02685		Northeast Bradford County . . . . .08300		Keystone . . . . .16650		Saint Marys Area . . . . .24800	
Northgate . . . . .02687		Sayre Area . . . . .08600		North Clarion County . . . . .16750		<b>ERIE</b>	
North Hills . . . . .02690		Towanda Area . . . . .08650		Redbank Valley . . . . .16800		Corry Area . . . . .25145	
Penn Hills . . . . .02735		Troy Area . . . . .08665		Union . . . . .16900		Erie City . . . . .25260	
Penn-Trafford . . . . .65710		Wyalusing Area . . . . .08900		<b>CLEARFIELD</b>		Fairview . . . . .25330	
Pine-Richland . . . . .02100		<b>BUCKS</b>		Clearfield Area . . . . .17100		Fort Leboeuf . . . . .25355	
Pittsburgh . . . . .02745		Bensalem Township . . . . .09100		Curwensville Area . . . . .17180		General McLane . . . . .25390	
Plum Borough . . . . .02750		Bristol Borough . . . . .09130		Dubois Area . . . . .17200		Girard . . . . .25405	
Quaker Valley . . . . .02775		Bristol Township . . . . .09135		Glendale . . . . .17300		Harbor Creek . . . . .25435	
Riverview . . . . .02820		Centennial . . . . .09200		Harmony Area . . . . .17350		Iroquois . . . . .25655	
Shaler Area . . . . .02830		Central Bucks . . . . .09210		Moshannon Valley . . . . .17500		Millcreek Township . . . . .25760	
South Allegheny . . . . .02865		Council Rock . . . . .09235		Philipsburg-Osceola Area . . . . .17700		North East . . . . .25830	
South Fayette Township . . . . .02870		Easton Area . . . . .48330		Purchase Line . . . . .32730		Northwestern . . . . .25850	
South Park . . . . .02875		Morrisville Borough . . . . .09720		West Branch Area . . . . .17900		Union City Area . . . . .25910	
Steel Valley . . . . .02883		Neshaminy . . . . .09750		<b>CLINTON</b>		Wattsburg Area . . . . .25970	
Sto Rox . . . . .02885		New Hope Solebury . . . . .09760		Jersey Shore Area . . . . .41400		<b>FAYETTE</b>	
Upper Saint Clair Township . . . . .02920		North Penn . . . . .46570		Keystone Central . . . . .18360		Albert Gallatin Area . . . . .26030	
West Allegheny . . . . .02940		Palisades . . . . .09800		West Branch Area . . . . .17900		Belle Vernon Area . . . . .65060	
West Jefferson Hills . . . . .02955		Penndridge . . . . .09810		<b>COLUMBIA</b>		Brownsville Area . . . . .26080	
West Mifflin Area . . . . .02960		Pennsbury . . . . .09820		Benton Area . . . . .19100		Connellsville Area . . . . .26130	
Wilkesburg Borough . . . . .02980		Quakertown Community . . . . .09840		Berwick Area . . . . .19110		Frazier . . . . .26290	
Woodland Hills . . . . .02990		Soudertown Area . . . . .46710		Bloomsburg Area . . . . .19120		Laurel Highlands . . . . .26400	
<b>ARMSTRONG</b>		<b>BUTLER</b>		Central Columbia . . . . .19150		Southmoreland . . . . .65750	
Allegheny Clarion Valley . . . . .16030		Allegheny Clarion Valley . . . . .16030		Millville Area . . . . .19500		Uniontown Area . . . . .26800	
Apollo-Ridge . . . . .03060		Butler Area . . . . .10125		Mount Carmel Area . . . . .49510		<b>FOREST</b>	
Armstrong . . . . .03085		Freeport Area . . . . .03305		North Schuylkill . . . . .54500		Forest Area . . . . .27200	
Freeport Area . . . . .03305		Karns City Area . . . . .10360		Southern Columbia Area . . . . .19750		<b>FRANKLIN</b>	
Karns City Area . . . . .10360		Mars Area . . . . .10500		<b>CRAWFORD</b>		Chambersburg Area . . . . .28130	
Kiski Area . . . . .65440		Moniteau . . . . .10535		Conneaut . . . . .20103		Fannett-Metal . . . . .28200	
Leechburg Area . . . . .03450		Seneca Valley . . . . .10790		Corry Area . . . . .25145		Greencastle-Antrim . . . . .28300	
Redbank Valley . . . . .16800		Slippery Rock Area . . . . .10750		Crawford Central . . . . .20135		Shippensburg Area . . . . .21800	
<b>BEAVER</b>		South Butler County . . . . .10780		Jamestown Area . . . . .43360		Tuscarora . . . . .28600	
Aliquippa Borough . . . . .04050		<b>CAMBRIA</b>		Penncrest . . . . .20470		Waynesboro Area . . . . .28900	
Ambridge Area . . . . .04070		Blacklick Valley . . . . .11060		Titusville Area . . . . .61720		<b>FULTON</b>	
Beaver Area . . . . .04120		Cambria Heights . . . . .11120		Union City Area . . . . .25910		Central Fulton . . . . .29130	
Big Beaver Falls Area . . . . .04150		Central Cambria . . . . .11130		<b>CUMBERLAND</b>		Forbes Road . . . . .29230	
Blackhawk . . . . .04160		Conemaugh Valley . . . . .11140		Big Spring . . . . .21050		Southern Fulton . . . . .29750	
Center Area . . . . .04190		Ferndale Area . . . . .11200		Camp Hill . . . . .21100		<b>GREENE</b>	
Ellwood City Area . . . . .37200		Forest Hills . . . . .11220		Carlisle Area . . . . .21110		Carmichaels Area . . . . .30130	
Freedom Area . . . . .04285		Glendale . . . . .17300		Cumberland Valley . . . . .21160		Central Greene . . . . .30140	
Hopewell Area . . . . .04410		Greater Johnstown . . . . .11250		East Pennsboro Area . . . . .21250		Jefferson-Morgan . . . . .30350	
Midland Borough . . . . .04530		Northern Cambria . . . . .11450		Mechanicsburg Area . . . . .21650		Southeastern Greene . . . . .30650	
Monaca . . . . .04545		Penn Cambria . . . . .11600		Shippensburg Area . . . . .21800		West Greene . . . . .05800	
New Brighton Area . . . . .04565		Portage Area . . . . .11630		South Middleton . . . . .21830		<b>HUNTINGDON</b>	
Riverside Beaver County . . . . .04585		Richland . . . . .11650		West Shore . . . . .21900		Huntingdon Area . . . . .31250	
Rochester Area . . . . .04690		Westmont Hilltop . . . . .11850		<b>DAUPHIN</b>		Juniata Valley . . . . .31280	
Southside Area . . . . .04740		Windber Area . . . . .56910		Central Dauphin . . . . .22140		Mount Union Area . . . . .31600	
Western Beaver County . . . . .04930		<b>CAMERON</b>		Derry Township . . . . .22175		South Huntingdon County . . . . .31750	
<b>BEDFORD</b>		Cameron County . . . . .12270		Halifax Area . . . . .22250		Tussey Mountain . . . . .05800	
Bedford Area . . . . .05100		<b>CARBON</b>		Harrisburg City . . . . .22275		Tyrone Area . . . . .07800	
Chestnut Ridge . . . . .05150		Hazleton Area . . . . .40330		Lower Dauphin . . . . .22400			
Claysburg-Kimmel . . . . .07150		Jim Thorpe Area . . . . .13500					
Everett Area . . . . .05300		Lehighton Area . . . . .13550					
Northern Bedford County . . . . .05600							
Tussey Mountain . . . . .05800							

