

PA-41I 1998

PENNSYLVANIA

FIDUCIARY INCOME

TAX FORMS AND

INSTRUCTIONS

This booklet contains the 1998 PA Fiduciary Income Tax forms and instructions for resident and nonresident estates and trusts.

NEW FOR 1998 RETURNS

Identification Label. Within this booklet is an insert with the preprinted label for the estate or trust. Affix this label to the 1998 PA-41. Verify the federal identification number, EIN, or decedent's Social Security Number, if you do not have an EIN. Verify the name of the estate or trust and all other information on the label. **DO NOT USE** the label unless it is completely correct. **DO NOT** make any corrections to the label. Print all the information for the estate or trust on the PA-41 and completely fill in the Estate or Trust Identification Information oval. This tells us that the information you entered is now correct or new. See the instructions for entering information for Electronic Data Imaging on page 2.

PA Schedule I, Reporting Federal Amounts on PA-41. Under certain conditions, Pennsylvania accepts the same amounts that you report on the 1998 federal Form 1041. See the instructions for each income class. If you believe that the federal amounts reported on the Form 1041 are correct for PA purposes, obtain PA Schedule I. See Forms Ordering on page 2. Read the instructions. If you may use this new schedule, you do not have to enclose either a PA or federal schedule. The Department exchanges information with the Internal Revenue Service. If you use PA Schedule I and subsequently amend the Form 1041, you must also amend the PA-41. ♦ **Caution.** If the estate or trust is a shareholder in a PA S corporation or a partner in a partnership, you may not use PA Schedule I. You must provide the PA Schedule RK-1 or NRK-1.

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BULK RATE
U.S. POSTAGE
PAID
DEPARTMENT OF
COMMONWEALTH
PENNSYLVANIA
DEPARTMENT OF
REVENUE



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

Continued from page 2....

✓ **Filing Tip.** Estates and trusts must classify income and losses according to PA law. You may not use a loss in one class of income to reduce income 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.

Estate or Trust Identification Change. Fill in this oval, if any of the identification or filing information you entered is different from the 1997 PA-41, or if the estate or trust did not file a 1997 PA-41.

Payment Voucher. This booklet includes a form PA-V for paying any PA Fiduciary Income Tax due. The PA-V is on the insert within this booklet. When filing, place the PA-V and check in the same envelope with the PA-41.

The Department uses this form for automated payment processing. If any of the preprinted information on the PA-V is incorrect, **DO NOT** use it. Follow the PA-V instructions. If the estate or trust does not owe any tax, **DO NOT** use the PA-V. Do not use it for any other tax payment — **DISCARD IT, IF INCORRECT.**

School District Code. Enter the school district code for the estate or trust. The Department of Revenue uses these codes to provide information to the PA Department of Education. Using a wrong or incorrect code may affect a school district's funding.

Math Errors. Double check all calculations before filing the PA-41.

Mailing Instructions. See page 12.

GENERAL INSTRUCTIONS

Tax Rate. For calendar year 1998 and fiscal years beginning in 1998, the PA tax rate is 2.8 percent (0.028).

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

- The fiduciary of a resident estate or irrevocable trust that received taxable income during its taxable year.
- The fiduciary of a nonresident estate or irrevocable trust that received taxable income allocable to Pennsylvania during its taxable year.

Note: If two or more fiduciaries are acting jointly, one of the fiduciaries must 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 express trusts taking effect during the lifetime or after the death of the settlor. The term "trust" does not include:

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

Note: For purposes of (a), (b), and (c), a personal income tax taxpayer means any individual, estate, trust, partnership, or PA S corporation.

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 the 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 if, during the current taxable year:

- (a) Any part of the trust's retained earnings may benefit any private individual in subsequent years; or
- (b) Any part of the trust's income is required to be currently distributed or is distributed or credited to any private individual.

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 or her family.

Trusts for the general care, maintenance, or improvement of public or church cemeteries are charitable trusts.

What is a Revocable Trust? A revocable trust is:

- A tentative or Totten trust; or
- An express trust when the governing instrument reserves in the settlor;
 - (a) The power to revoke the trust as an entirety without the declaration of new uses or the consent of any other party; and
 - (b) The concurrent power to vest 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 of an estate or irrevocable trust is the current income that it retains for future distribution or disbursement or currently applies to discharge, satisfy, or reduce any person's or its own obligations.

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 the total distribution and distributable taxable income from the PA Schedule L as Estate or Trust Income on a PA-40, PA-65, PA-20S or PA-41.

The taxable income to the beneficiaries of an estate or irrevocable trust is each beneficiary's share of the 1998 taxable income that, under the governing instrument and applicable state law, the estate or trust must distribute or credit or pay to each beneficiary. The estate or trust must report to each beneficiary his, her, or its share of PA taxable income on a separate PA Schedule L, **Beneficiaries Share of Income**. The estate or trust must also attach to the PA-41, a PA Schedule L showing all the distributions to each of the beneficiaries. The instructions for PA Schedule L begin on page 14.

An irrevocable trust, and its beneficiaries, and an estate, and its beneficiaries, are not subject to tax on income set aside exclusively for charitable purposes.

Grantor Trusts. PA law varies from federal law regarding grantor trusts. For federal purposes, under certain conditions, the grantor or person who has substantial dominion or control over the trust income or corpus, rather than the trust itself or its beneficiaries, reports the income of the trust. These federal rules are inapplicable for PA Fiduciary Income Tax purposes. Unless the grantor trust is a revocable trust (see What is a Revocable Trust? above), grantor trusts are taxed according to the same personal income tax rules that apply to other irrevocable trusts.

How Pennsylvania Taxes Common Trust Funds and their Participants. 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 and 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:

- (a) A trust created by the will of a decedent who at the time of death was a resident individual;

(b) Any trust consisting of property transferred to a trust by a person who at the time of such transfer was a resident; or

(c) A trust created by a person who at the time of such creation was a resident.

A nonresident estate or a nonresident trust is any estate or irrevocable trust that is not a resident estate or resident trust. An inter vivos trust is also a nonresident trust if all of the following conditions are met:

- The assets of the trust currently consist in no part of real property or tangible personal property located within the Commonwealth or intangible personal property, the documents, certificates or other instruments evidencing which are physically located, or have a business situs, within the Commonwealth.
- The trust is taxable as a resident trust elsewhere for the period in question.
- The trust has no resident fiduciary, beneficiary or remainderman.
- All administration, accounting, bookkeeping, and sales and purchases currently take place outside the Commonwealth.
- The settlor is no longer a resident of the Commonwealth or died a nonresident of the Commonwealth.
- The settlor is not a resident at the times when during his lifetime:

(a) Application is made to a court concerning the trust; or

(b) He or others might have exercised a reserved power of revocation.

- A Pennsylvania court having jurisdiction of the trust has directed that the situs of the trust be changed to a place outside the Commonwealth, and the courts of such place have assumed jurisdiction to adjudicate disputes involving the trust or order accountings to protect the trust corpus, beneficiaries, and remaindermen.

How Pennsylvania Taxes Resident Estates or Trusts. 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 Resident Credit, if it is subject to and pays income tax to another state or country on income taxable to both Pennsylvania and the other state or country. This credit cannot exceed the amount of PA tax the estate or trust owes. To claim the Resident Credit, the estate or trust must attach a complete PA Schedule G.

How Pennsylvania Taxes Nonresident Estates or Trusts or Nonresident Beneficiaries. A nonresident estate or trust is subject to tax only on its income from Pennsylvania sources. A nonresident estate or trust must ignore items of income, loss, cost, expense, and liability that are not directly related to Pennsylvania when 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 that:

- Under the governing instrument and applicable state law, the estate or trust must distribute currently, or distributed, or credited or paid to the beneficiary; and
- Is from PA sources.

To obtain information on allocating and apportioning for PA purposes, order the PA-65, **Information for Partnerships Booklet**.

Special rules apply to each of the following:

- Net gains or income or loss derived through PA S corporations, partnerships, and other estates or trusts.
- Net income or loss from the operation of a business, profession, or farm.
- Net gain or loss from the disposition of tangible property.
- Net gain or loss from the disposition of intangible personal property.
- Net income or loss from the ownership of property.

What Is Taxable Income? Estates and trusts must report taxable income, or loss, realized from the following six classes:

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

Costs and Expenses. ♦ Caution. Estates and trusts may not deduct any expenses for administering the estate or trust. Estates and trusts may deduct ordinary, necessary and reasonable costs and expenses directly incurred in realizing income or loss from:

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

Estates and trusts may not deduct costs and expenses attributable to earning or receiving dividend income, interest income, and income from other estates or trusts.

These expenses are not allowable:

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

Gains or Losses. Estates and trusts cannot offset income in one class of taxable income with a loss in any other class of taxable income. Estates and trusts cannot carry income or losses back or forward to other tax years. If the estate or trust realized a net loss in an income class, enter the amount of the loss on the appropriate line on the PA-41 and completely fill in the oval next to that line. Attach the appropriate completed schedule for the income, gain, or loss reported.

Tax Year. For PA purposes, the taxable year of an estate or trust is the same as its federal taxable year. Calendar year estates and trusts must report all taxable income and losses realized or accrued from January 1, 1998 through December 31, 1998. If filing on a fiscal year basis, fill in the oval on the PA-41 and enter the beginning and ending dates of the fiscal year.

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 distributed or not, in the same class in which the partnership or PA S corporation received the income.

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

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

► Important. Federal income rules relating to federally qualified subchapter S trusts and federally electing small business trusts are inapplicable for PA purposes. Unless the trust is a revocable trust (see **What is a Revocable Trust** on page 7), qualified subchapter S trusts and federally electing small business trusts are taxed according to the same rules as apply to other irrevocable trusts.

Special Rules. The fiduciary determines all of the following under the terms of the governing instrument and the laws applicable to the administration of estates and trusts:

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

The specific provisions of the governing instrument control when it specifically provides the source from which amounts are to be permanently set aside or used. In determining "whether an amount is set aside or used for a purpose" includes particular items of income received by an estate or trust. 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 that is required to be retained, accumulated, or set aside.

Amounts disbursed to pay taxes measured by the income for another taxable period may not be treated as a set aside from current income. Amounts disbursed to pay nondeductible trustee commissions and legal and accounting expenses and other current expenses that do not reduce the amount of taxable or nontaxable income or gain of the trust for the taxable year shall be treated as nontaxable income or gain for the taxable year which is required to be accumulated, retained or set aside, if total distributions for the year do not equal or exceed the excess of total taxable and nontaxable income received by the trust for the taxable year over total taxable and nontaxable income received by the trust or estate for the taxable year which is required to be accumulated, retained or set aside for future distribution. If total distributions for the year do equal or exceed the excess of total taxable and nontaxable income received by the trust for the taxable year over total taxable and nontaxable income received by the trust or estate for the taxable year which is required to be accumulated, retained or set aside for future distribution; however, the amounts shall be treated as distributions by the trust or estate and beneficiaries.

When to File? The fiduciary must file for a 1998 calendar year estate or trust by midnight, Wednesday, April 15, 1999. The U.S. Postal Service postmark date on the envelope is proof of timely filing. The PA-41 for a fiscal year beginning in 1998 is due 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. Pennsylvania will honor the federal extension of time to file the Form 1041. The fiduciary may also request an extension from the Department of Revenue by submitting form REV-276, **Application for Extension of Time to File**. Follow the instructions on the PA extension form.

Fill in the **Extension Enclosed** oval on the PA-41, and include the federal or PA extension with the PA-41.

➔ **Important.** An extension of time to file the PA-41 does not extend the time to pay the fiduciary income tax due. An extension cannot exceed six (6) months, unless the fiduciary is outside the United States. If the estate or trust will owe tax, submit the extension form and pay the tax due in sufficient time before the due date so the Department may consider and act upon it. Include your extension payment on Line 11 of your PA tax return when you file your return. The Department will not send an approval letter for the extension unless there is a question concerning the extension request.

The Department will assess underpayment penalty if:

- You do not pay at least 90% of the 1998 tax due by April 15, 1999; and
- You do not pay the remaining balance with a timely filed PA-41.

The Department will charge interest on the amount not paid by April 15, 1999.

Estimated Tax. Estates or trusts that expect to owe \$70 or more of PA tax must make a declaration and estimated installment payments. The Department sends estimated tax forms to estates and trusts that made 1998 payments. If you do not receive the 1999 estimated tax forms for the estate or trust, contact the nearest Department district office or see **Forms Ordering**. 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 1997 and 1998, use another 1997 and a 1998 PA-41.

Clearly print **AMENDED RETURN**, or fill in the oval on the PA-41. Then, follow these steps:

1. Enter the amounts from the original PA-41 that you are not amending.
2. Enter the amended amounts. Explain the reason for amending 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 PA-41, 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 PA-41, 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 17 and 18.

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 its income or did not claim allowable credits on its original PA-41, the fiduciary must file an amended PA-41 within three years from the original due date or the extended due date. ➔ **Important.** You may not file an amended PA-41 after the Department issues an assessment, if the amendment relates to the same taxable year and assessed item of income, gain, deduction, or loss. In this instance, either file a timely petition for reassessment or pay the assessment and file a timely refund petition for a refund. To order the Petition, REV-65, see **Forms Ordering**.

Underreported Income. If, at any time after filing the PA-41, the estate or trust discovers that it underreported the tax or erroneously claimed unallowable credits or deductions as a result of incomplete information, the fiduciary 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. The fiduciary must retain books and records 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 the estate or trust does not file its PA-41 on or before the due date, or the extended due date, then for each month or fraction of a month the PA-41 is late, the Department will impose a 5 percent penalty, unless the estate or trust can show reasonable cause for late filing. The maximum penalty is 25 percent. The minimum penalty is \$5. Any estate or trust that attempts to evade or defeat their PA Fiduciary Income Tax responsibility is subject to prosecution.

Interest for Nonpayment or for Late Payment of the Tax. If the estate or trust does not pay its tax by the due date, the Department will charge interest from the due date 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.

Other Penalties.

- A 5 percent underpayment penalty will be imposed if the estate or trust does not pay the full amount of its tax due by the original due date.
- An additional penalty of 25 percent of the tax due on the unreported income will be imposed if the estate or trust does not report an amount of taxable income that is more than 25 percent of the taxable income that it reported on the PA-41.

The Department will charge these penalties if the underpayment of tax is due to negligence or intentional disregard of rules and regulations, but without intent to defraud. ➔ **Important.** The Department may assess both late filing and underpayment penalty if the fiduciary files the PA-41 after the due date, or extended due date, and does not pay the tax due by the original due date.

- An addition of 50 percent of the underpayment to the tax will be imposed if any part of any underpayment of the tax is due to fraud.
- A \$500 penalty will be imposed on any taxpayer who files a return which does not contain sufficient information on which to determine the correct liability, or which contains information that 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.
- A penalty of \$50 will be imposed for each instance when any person required to furnish an information return either furnishes a false or fraudulent return or fails to furnish an information return.

Governing Instrument. The Department does not require a copy of the governing instrument with the PA-41, but the estate or trust must make it available upon request.

Instructions for Completing the PA-41.

Identification Number. Enter the EIN of the estate or trust on all schedules attached to the return. If you do not receive an EIN from the Federal Government, enter the Social Security Number of the decedent.

Name and Address. If you do not have a preprinted label, print 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 middle initial*

Example. Taxpayer, John T. Estate of

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

Example. Taxpayer, Mary S. Trust

School District Code. You must complete the school district code. The school districts and accompanying codes are 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 he or she created the trust. Enter 99999, if a nonresident decedent or settlor. **Caution.** Do not use the school district code of the fiduciary administering the estate or trust. **Example:** A resident of Erie creates a trust. The fiduciary is a bank in Pittsburgh. The correct school district code on the PA-41 is Erie City, not Pittsburgh.

Estate or Trust Identification Change. Fill in this oval if any of the identification or filing information is different from the 1997 PA-41, or if the estate or trust did not file a 1997 PA-41. **DESTROY THE LABEL IF IT IS INCORRECT.**

Fiscal Year or Short Year. If this return is for a period other than a calendar year, including a short year, fill in this oval. Enter the beginning and closing dates of the taxable year.

Type Filer. Fill in only one oval. Enter the name of the other state or country, if a nonresident estate or trust.

Final Return. Fill in this oval if this is the final PA-41 that the estate or trust must file. Enter the ending date. Record any income and distributions from the beginning of the year to the date of closing. Attach a statement explaining the reason for the final return, such as termination or transfer of jurisdiction.

Do You Want a 1999 PA-41 Booklet? If you do not use the forms provided by the Department, or your preparer does not use the Department's forms, fill in this oval. The estate or trust will not receive a booklet next year, but will receive a letter and a preprinted PA-V, Payment Voucher

Line Instructions for Completing PA-41.

Schedules. Attach all completed schedules. Enter the estate or trust name and EIN or decedent's SSN on all schedules. The schedule instructions begin on page 12.

Line 1. PA Taxable Interest Income. The PA Schedule A instructions are on page 12. 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. Report dividends paid by savings and loan associations, mutual savings banks, cooperative banks and credit unions on deposits, or withdrawals from accounts as interest.

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

PA Tax Exempt Interest. Do not report interest received from direct obligations of the Commonwealth of Pennsylvania or its political subdivisions and from direct obligations of the United States. Interest from these obligations is not taxable. 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.**

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

Distributions from Money Market and Mutual Funds and Other Investment Companies. Estates and trusts must report distributions from the earnings and profits of money market or mutual funds and investment trusts and companies as dividend income on Line 2, not as interest income.

Forfeited Interest Penalty. Estates and trusts may use forfeited interest penalty, incurred for premature redemption or withdrawal of a time savings account or certificate of deposit, to offset only the interest income from that account or certificate. It may not offset other interest income. If the total penalty exceeds the interest on an account or certificate, the excess is a loss on PA Schedule D.

Interest Received by Nonresident Estates or Trusts. Generally, interest received by nonresident trusts and estates is **NOT TAXABLE** even when paid by a PA bank. Interest is taxable to a nonresident only if it is derived from the ownership or disposition of real or personal tangible property in PA, or received in connection with an occupation or business carried on in PA.

Line 2. PA Taxable Dividend Income. The PA Schedule B instructions are on page 12. Include all dividend income received during the taxable year on Line 2. A resident estate or trust that 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, 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.

Important. If the estate or trust is a shareholder in a Subchapter S corporation in another state that is NOT also a PA S corporation, report only the cash or property actually received as dividend income on the PA-41. A corporation that elects S status in another state, but does not elect PA S status in Pennsylvania, is 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:

- Dividends distributed by a corporation to its stockholders in the form of stock, only if the distribution is not taxable as income for federal purposes. If the stock distribution is not taxable, divide the adjusted basis of the old stock between the old and new stock.
- Distributions designated as return of capital by a utility company or other corporation. Such distributions serve to reduce the basis of stock in the corporation. If such distributions reduce the basis of the stock to zero, any further distributions are taxable as gain from the sale or disposition of property. See instructions on **Return of Capital Distributions** on page 11.
- Dividends paid by a mutual fund or a registered investment company and designated as being PA Exempt-Interest Dividends in the written notice issued to the shareholder. Exclude that portion of total dividends 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.

Dividends Received by Nonresident Estates or Trusts. Generally, dividends received by nonresident trusts and estates are **NOT TAXABLE** even when paid by a PA corporation. Dividends are taxable to a nonresident only if received in connection with an occupation or business carried on in PA.

Line 3. Net Income or Loss from the Operation of a Business, Profession, or Farm. The estate or trust must complete and file a separate PA Schedule C or F for each business or farm that it operates. If the estate or trust must make any adjustments for PA purposes, submit a PA Schedule C or F or C-F Reconciliation. See the instructions for PA Schedule C-F. If the estate or trust is a partner or a PA S shareholder, attach the PA Schedule RK-1 or NRK-1. If the estate or trust receives only a federal Schedule K-1, you must classify the income according to PA income tax rules.

PA Schedule C-F. PA law allows adjustments that the federal rules do not permit, such as expensing sales tax on acquired property; charitable contributions; 100% of travel and entertainment expenses; and wages for claiming the PA Employment Incentive Payments Credit. PA does not follow federal tax accounting for other items. For more information, obtain a 1998 PA-40 booklet and read the instructions for using the PA Schedule C-F Reconciliation.

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

Report all net income or loss on PA-41. If the estate or trust realizes a net loss, enter that amount on Line 3 and fill in the oval next to the line. Do not use brackets or a minus sign.

Sale of Business Assets and Other Income Not Derived in the Ordinary Course of Business. Gain or loss from the sale, disposition, or abandonment of a business asset, other than inventory or stock-in-trade, must be reported on PA Schedule D. Do not include on Line 3, interest, dividend, or rent and royalty income that the estate or trust does not realize in the ordinary course of business. The expenses that are attributable to such income are not deductible business expenses. The estate or trust reports these kinds of income on other lines on the PA-41.

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 are allowable 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.

Line 4. Net Gain or Loss from the Sale, Exchange, or Disposition of Property. The instructions for PA Schedule D begin on page 12. 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.

An estate or trust reports its gain on the disposition of property 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.

An estate or trust recognizes a loss only:

- With respect to transactions entered into for profit.
- In the taxable year in which it closes and completes the transaction by some identifiable event that 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). 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. You must elect the installment method if at least one payment is to be received in any taxable year after the taxable year of the sales transaction.

➔ **Important.** You may not use the installment method for:

- Reporting gains from the sale of intangible personal property, such as stocks, bonds, partnership interests, etc.; or
- Transactions where the object is the lending of money or the rendering of services.

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

Calculation. If reporting on PA Schedule D-1, allocate the gain on the sale in equal proportion to the payments received, and report the installment gain 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.** Report interest received that is incidental to an installment sale, i.e., directly from the installment sale contract or agreement, 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. An estate or trust sells property on an installment contract. In a subsequent year, the estate or trust repossesses the property upon default of the buyer. The estate or trust adjusts the basis of the recovered property by the amount of gain previously reported. The estate or trust may not amend its tax return for the taxable year of the original sale.

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, PA law treats net gains and losses from the sale, exchange or disposition of the following obligations 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 the original issue date of these obligations was before February 1, 1994, the net gain is not subject to PA tax, nor may any loss realized be used to offset other gains.

You may not use losses or expenses incurred in selling such PA tax-exempt obligations to reduce other taxable gains or income. A sale of a mutual fund or a fixed investment portfolio-trust is not exempt for PA purposes.

If the original issue date of these obligations was on or after February 1, 1994, the net gain is taxable income for PA purposes and losses may offset other gains, but not income in another class.

Obligations of Other States. Net gains from the disposition of obligations of other states or countries have been and are always 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 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 that a business corporation makes out of its earnings and profits. The basis of stock or shares decreases, but not below zero, by any distribution that is not taxable as a dividend on Line 2 of the PA-41.

Property Acquired Before June 1, 1971. Report the disposition of property acquired before June 1, 1971, on PA Schedule D-71 (form REV-1742).

Report on Line 5 of PA Schedule D, the total net gain or loss, if applicable, 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 PA S shareholder, it will receive a PA Schedule RK-1 or NRK-1, or a federal Schedule K-1, showing its share of any net income or loss realized by the sale, exchange or disposition of property by the partnership or PA S corporation. Attach all such schedules to support the amount reported on Line 6 of PA Schedule D.

Disposition of Principal Residence. A sale or other disposition of a decedent's principal residence will not qualify for the principal residence exclusion unless the disposition is pursuant to an executory contract made prior to death by an individual meeting the ownership and use requirements. Include a sale of a decedent's residence on Line 1 of the PA Schedule D in this booklet.

Line 5. Net Income or Loss from Rents, Royalties, Patents, or Copyrights. The estate or trust must complete and file a separate PA Schedule E to report its income or loss. To obtain PA Schedule E and the instructions for reporting this class of income, obtain a 1998 PA-40 booklet. 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. If the estate or trust must make any adjustments for PA purposes, submit a PA Schedule E. If the estate or trust is a partner or a PA S shareholder, attach the PA Schedule RK-1 or NRK-1. If the estate or trust receives only a federal Schedule K-1, you must classify the income according to PA income tax rules.

Net Rents. Whether rental income or loss is reportable on Line 5 or Line 3, Net Income or Loss from the Operation of a Business, Profession, or Farm, depends on 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 the estate or trust also provides significant services to the lessee.

Generally, you provide significant services to the lessee if primarily for the lessee's convenience and not customarily provided in connection with the rental

of rooms or other space for occupancy only. **Example.** Providing housekeeper service is providing significant services to the lessee. However, furnishing heat and light, cleaning public entrances, exits, elevators, stairways, and lobbies and collecting trash are not significant services.

Generally, hotels, boarding houses and apartment houses that provide hotel-like services, tourist homes, motor courts or motels provide significant services with rooms. Payments for parking cars usually are not rents. Payments for warehousing of goods or the use of personal property are not rents if the lessor provides significant services 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 is, usually, rents.

Lease with Option to Buy. A lease with an option to buy may be a purchase contract. If a purchase contract, payments received are payments of the purchase price and are not includable as rental income. Report these sales on a 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 payments for the sale or exchange of property. Report such sales on a PA Schedule D.

Line 6. Estate or Trust Income. Cash and property received from another estate or trust by gift, bequest, devise, or inheritance is not taxable. Income realized by another estate or trust that it must currently distribute or pay or credit to a beneficiary that is the estate or trust for which you are filing is taxable on the 1998 PA-41. Your estate or trust will receive a PA Schedule L from the other estate or trust.

Report the PA taxable income from each estate or trust on PA Schedule J. Obtain PA Schedule J. If the other estate or trust provides a federal Schedule K-1, you must report the total distributed and distributable income on PA Schedule J.

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. You may not offset income and losses on these lines to calculate Line 7.

Line 8. Deductions from PA Schedule DD. Complete the Distribution Deduction Schedule, PA Schedule DD, to determine the allowable deductions for distribution made to beneficiaries of the estate or trust. The instructions for PA Schedule DD begin on page 13.

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

Line 10. Total 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. 1998 Estimated Payments and Credits. Enter on Line 11 the total of:

- Any credit carried over from the 1997 PA-41;
- All 1998 installment payments of estimated tax; and
- Any payment made with a 1998 request for extension of time to file.

Line 12. Total 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.

Line 13. Total Other Credits. Enter the total allowable credits claimed by the estate or trust from Line 5, PA Schedule OC, **Other Allowable Credits for PA Fiduciary Income Tax Purposes.** The instructions for PA Schedule OC begin on page 14.

Line 14. 1998 Payments and Credits. Add Lines 11, 12, and 13.

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

Line 16. Overpayment. If Line 14 is more than Line 10, enter the overpayment on Line 16.

Line 17. Refund. You may request that all or any part of the overpayment on Line 16 as a refund check to be mailed to the estate or trust. Enter the refund amount on Line 17.

Line 18. Credit. You may request that all or any part of the overpayment on Line 16 be credited to the 1999 estimated account of the estate or trust. Enter the 1999 credit amount on Line 18.

The total of Lines 17 and 18 must equal Line 16.

Review Your Return. Check the PA-41 carefully to insure you have reported all PA taxable income and losses and claimed all allowable credits. 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 to sign the PA-41. An unsigned PA-41 is not a valid tax return. 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 someone other than the fiduciary or officer representing the fiduciary prepared the PA-41, the preparer may 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. Make check or money order payable to PA Dept. of Revenue. You must still file a PA-41 even if no payment is due.

Use the PA-V on the insert to make the payment with the PA-41. If you do not have a preprinted PA-V, include the check when filing the 1998 PA-41. Do not staple the check to the PA-41.

Bad Check. If your bank or financial institution returns a check to the Department unpaid, the Department will subject the estate or trust to an additional charge equal to 10 percent of the amount of the payment. The minimum charge is \$25 and the maximum charge is \$500. This is in addition to possible criminal prosecution and other penalties and interest. This addition to tax is also subject to applicable penalty and interest. The estate or trust may also face possible criminal prosecution.

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 IMAGING AND DOCUMENT MANAGEMENT
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**, mail the PA-41 to:

PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
DEPT. 280506
HARRISBURG, PA 17128-0506

Schedule Instructions.

Instructions for PA Schedule A. When interest income exceeds \$2,500, complete and attach PA Schedule A. The Department does not require the Forms 1099. You may use PA Schedule A to make the adjustments for the differences between federal and PA taxable interest income.

Instructions for PA Schedule B. When dividend income exceeds \$2,500, complete and attach PA Schedule B. The Department does not require the Forms 1099. You may use PA Schedule B to make the adjustments for the differences between federal and PA taxable dividend income.

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

1. Columns a through f.
- (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.
- (b) Enter the month, day, and year you sold the property.
- (c) Enter the month, day, and year you acquired the property.

- (d) Enter the gross sales price or fair market value of cash and/or property you received, less applicable expenses of sale.
- (e) Enter the Adjusted Basis of the property sold.
- (f) Determine whether the property was either I or II, and follow the appropriate instructions.
- I** If the property is income-producing property acquired as investment, such as capital stock, an interest in a partnership or other business, a rental property, a patent or copyright, etc.; or the estate or trust held the property in connection with business, profession, or farm, and the property is not inventory or an operational asset,
- Subtract Column (e) from Column (d) and enter the gain, loss, or zero in Column (f);
- II** If the property was other than income-producing property:
- If the Adjusted Basis is less than Column (d), subtract Column (e) from Column (d) and enter the gain in Column (f); or
 - If the Adjusted Basis is greater than Column (d), the estate or trust does not realize either a gain or a loss. Enter zero in Column (f);
2. Add Column (f) and enter the total. Gains and losses may offset to calculate this line.
 3. Enter the amount from PA Schedule D-1.
 4. Enter the total Return of Capital Distributions and subtract the amount of previously unrecovered basis.
 5. Enter the total amount from PA Schedule D-71.
 6. Enter the total net gain or loss from all PA Schedules RK-1 or NRK-1 received as a partner or shareholder of PA S corporations.
 7. Total Lines 2 through 6 and enter the net gain or loss. You may offset gains and losses to calculate this line. If a net gain, enter the amount here and on Line 4 of the PA-41. If a net loss, completely fill in the oval next to Line 7. Do not use brackets or a minus sign. Enter here and on Line 4 of the PA-41.

Line Instructions for PA Schedule DD, Distribution Deduction Schedule.

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

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

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

Resident Estate or Trust. Enter under Column B the amount that would be reportable on Line 7 if it were a nonresident 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.

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.

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.

3a and 3b. Self-explanatory.

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.

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

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

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

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

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 actually distributed or not.

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:

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

10a. Subtract Line 9a from Line 8a. Total amount of undistributed income that the estate or trust must distribute currently.

11a. Estates and trusts enter the total dollar amount of cash distributions made to beneficiaries during the taxable year, exclusive of amounts properly paid out of corpus as a gift or bequest of a specific sum of money or required distributions in any prior taxable year.

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.

13a. Add Lines 10a, 11a and 12a. Total amount distributed/distributable by the estate or trust.

14a and 14b. Self-explanatory.

15. Resident Estates or Trusts enter the lesser of Line 3a and Line 14a on Line 15.

Nonresident Estates or Trusts enter the lesser of Line 3b and Line 14b on Line 15.

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

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, the estate or trust may not take a deduction.

Computation 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 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.

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

17. Total Deduction from PA Schedule DD. Add Lines 15 and 16. Enter the total on both Line 17 of Schedule DD and Line 8 of the PA-41.

Math Check.

Resident Estate or Trust. The totals of the Resident Taxable Income should equal the estate's or trust's distribution deductions on 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 on Line 15 of PA Schedule DD.

Instructions for PA Schedule L. The estate or trust must provide to each beneficiary a PA Schedule L. Federal Schedule K-1 is not acceptable because it does not properly reflect the classified PA taxable income amounts.

Enter on PA Schedule L, the name, complete address and identification number (EIN or SSN) of each beneficiary to whom the estate or trust made a distribution or was required to make a distribution during the taxable year, or to whom amounts were credited and payable during the taxable year. Follow Steps 1, 2, and 3 below to compute and enter the amount of each beneficiary's Resident Taxable Income and Nonresident Taxable Income.

Step 1. Compute the total dollar amount of:

- Cash and property distributions actually made to the beneficiaries during the taxable year; and
- Undistributed amounts that are either credited and payable or required to be currently distributed to the beneficiary during the taxable year.

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

- Amounts that are properly paid out of corpus as a gift or bequest of a specific amount of money; or
- Amounts that were required to have been distributed in any prior taxable year; or
- 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.

Instructions for PA Schedule OC. Other Credits for PA Fiduciary Income Tax Purposes.

Line 1. Employment Incentive Payments Credit. Estates and trusts employing welfare recipients may be eligible for this credit. You must submit a complete PA Schedule W, with copies of the Certification Form from the Department of Labor and Industry for each employee. If a partner or a PA S corporation shareholder, enter the credit amount from the PA Schedules RK-1 or NRK-1 the estate or trust received.

Line 2. Jobs Creation Tax Credit. Enter the amount of approved credit from the PA Department of Community and Economic Development certification the estate or trust received. If a partner or a PA S corporation shareholder, enter the credit amount from the PA Schedules RK-1 or NRK-1 the estate or trust received.

Line 3. Waste Tire Recycling Investment Tax Credit. Enter the amount of your approved credit from the PA Department of Environmental Protection certification the estate or trust received. If a partner or a PA S corporation shareholder, enter the credit amount from the PA Schedules RK-1 or NRK-1 the estate or trust received.

Line 4. Research and Development Tax Credit. Enter the amount from the PA Department of Revenue certification the estate or trust received. If a partner or a PA S corporation shareholder, enter the credit amount from the PA Schedules RK-1 or NRK-1 the estate or trust received.

Line 5. Total Other Credits. Add Lines 1 through 4 and enter the total here and on Line 13 of the PA-41.

The location of these offices is subject to change. Call the office nearest you to verify the location of that office.				
Revenue District Offices	Altoona Cricket Field Plaza 615 Howard Avenue Altoona, PA 16601-4867 (814) 946-7310	Harrisburg Lobby Strawberry Square Harrisburg, PA 17128-0101 (717) 783-1405	Norristown 4th Floor Stoney Creek Office Center 151 West Marshall Street Norristown, PA 19401-4739 (610) 270-1780	
	Bethlehem 44 East Broad Street Bethlehem, PA 18018-5998 (610) 861-2000	Indiana 835 Water Street (Rear) Indiana, PA 15701-1705 (724) 357-7600	Philadelphia Room 201 State Office Building 1400 W. Spring Garden St. Philadelphia, PA 19130-4088 (215) 560-2056	Scranton Room 305 Samters Building 101 Penn Avenue Scranton, PA 18503-1970 (717) 963-4585
	Bradford Second Floor 86 Boylston Street Bradford, PA 16701-2011 (814) 368-7113	Johnstown Third Floor 345 Main Street Johnstown, PA 15901-1614 (814) 533-2495	Pittsburgh Suite 104 State Office Building 300 Liberty Avenue Pittsburgh, PA 15222-1210 (412) 565-7540	Sunbury 335 Market Street Sunbury, PA 17801-3466 (717) 988-5520
	Doylestown Suite 104 600 Louis Dr. Warminster, PA 18974-2847 (215) 443-2990	Lancaster 160 East King Street Lancaster, PA 17602-2869 (717) 299-7581	Pottsville 110 East Laurel Blvd. Pottsville, PA 17901-2527 (717) 621-3175	Washington Room 204 Landmark Building 75 East Maiden Street Washington, PA 15301-4963 (724) 223-4550
	Erie Room 216 Sumner Nichols Building 155 West Eighth Street Erie, PA 16501-1012 (814) 871-4491	New Castle Room 201 101 South Mercer Street New Castle, PA 16101-3837 (724) 656-3203	Reading Suite 239 625 Cherry Street Reading, PA 19602-1186 (610) 378-4401	Wilkes-Barre Suite 201 Thomas C. Thomas Building 100 East Union Street Wilkes-Barre, PA 18702 (717) 826-2466
	Greensburg Second Floor 15 West Third Street Greensburg, PA 15601-3003 (724) 832-5283	Newtown Square Suite 1 90 South Newtown Street Road (Route 252) Newtown Square, PA 19073-4090 (610) 353-4051	York Second Floor 130 North Duke Street York, PA 17401-1113 (717) 845-6661	Williamsport 322 Locust Street Williamsport, PA 17701-6085 (717) 327-3475

SCHOOL DISTRICT CODES

1998 PA-41

SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE
ADAMS		BERKS		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			Susquehanna Township	22830
Gettysburg Area	.01375	Conrad Weiser Area	.06110	CENTRE		Susquehanna	50600
Littlestown Area	.01520	Daniel Boone Area	.06150	Bald Eagle Area	14100	Upper Dauphin Area	22900
Upper Adams	.01852	Exeter Township	.06200	Bellefonte Area	14110	Williams Valley	54880
		Fleetwood Area	.06250	Keystone Central	18360		
ALLEGHENY		Governor Mifflin	.06300	Penns Valley Area	14700	DELAWARE	
Allegheny Valley	.02060	Hamburg Area	.06350	Philipsburg-Osceola Area	17700	Chester Upland	23123
Avonworth	.02075	Kutztown Area	.06400	State College Area	14800	Chichester	23130
Baldwin Whitehall	.02110	Muhlenberg Township	.06550	Tyrone Area	07800	Garnet Valley	23410
Bethel Park	.02125	Oley Valley	.06650			Haverford Township	23450
Brentwood Borough	.02145	Reading	.06700	CHESTER		Interboro	23510
Carlynton	.02160	Schuykill Valley	.06750	Avon Grove	15050	Marple Newtown	23550
Chartiers Valley	.02175	Tulpehocken Area	.06800	Coatesville Area	15190	Penn Delco	23690
Clairton	.02190	Twin Valley	.06810	Downingtown Area	15200	Radnor Township	23760
Cornell	.02210	Upper Perkiomen	46860	Great Valley	15350	Ridley	23770
Deer Lakes	.02225	Wilson	.06910	Kennett Consolidated	15400	Rose Tree Media	23790
Duquesne City	.02250	Wyomissing	.06935	Octorara Area	15650	Southeast Delco	23840
East Allegheny	.02280			Owen J. Roberts	15660	Springfield	23850
Elizabeth Forward	.02315	BLAIR		Oxford Area	15670	Unionville-Chadds Ford	15850
Fort Cherry	.63240	Altoona Area	.07050	Phoenixville Area	15720	Upper Darby	23945
Fox Chapel Area	.02391	Bellwood Antis	.07100	Spring Ford Area	46730	Wallingford Swarthmore	23960
Gateway	.02410	Claysburg-Kimmel	.07150	Tredyffrin Easttown	15780	West Chester Area	15900
Hampton Township	.02460	Holidaysburg Area	.07350	Twin Valley	.06810	William Penn	23965
Highlands	.02475	Spring Cove	.07750	Unionville-Chadds Ford	15850		
Keystone Oaks	.02500	Tyrone Area	.07800	West Chester Area	15900	ELK	
McKeesport Area	.02600	Williamsburg Community	.07900			Brockway Area	33070
Montour	.02630			CLARION		Forest Area	27200
Moon Area	.02634	BRADFORD		Allegheny Clarion Valley	16030	Johnsonburg Area	24350
Mount Lebanon	.02640	Athens Area	.08050	Armstrong	03085	Kane Area	42230
North Allegheny	.02685	Canton Area	.08100	Clarion Area	16120	Ridgway Area	24600
Northgate	.02687	Northeast Bradford County	.08300	Clarion-Limestone Area	16170	Saint Marys Area	24800
North Hills	.02690	Sayre Area	.08600	Keystone	16650		
Penn Hills	.02735	Towanda Area	.08650	North Clarion County	16750	ERIE	
Penn-Trafford	.65710	Troy Area	.08665	Redbank Valley	16800	Corry Area	25145
Pine-Richland	.02100	Wyalusing Area	.08900	Union	16900	Erie City	25260
Pittsburgh	.02745					Fairview	25330
Plum Borough	.02750	BUCKS		CLEARFIELD		Fort Leboeuf	25355
Quaker Valley	.02775	Bensalem Township	.09100	Clearfield Area	17100	General McLane	25390
Riverview	.02820	Bristol Borough	.09130	Curwensville Area	17180	Girard	25405
Shaler Area	.02830	Bristol Township	.09135	Dubois Area	17200	Harbor Creek	25435
South Allegheny	.02865	Centennial	.09200	Glendale	17300	Iroquois	25655
South Fayette Township	.02870	Central Bucks	.09210	Harmony Area	17350	Millcreek Township	25760
South Park	.02875	Council Rock	.09235	Moshannon Valley	17500	North East	25830
Steel Valley	.02883	Easton Area	48330	Philipsburg-Osceola Area	17700	Northwestern	25850
Sto Rox	.02885	Morrisville Borough	.09720	Purchase Line	32730	Union City Area	25910
Upper Saint Clair Township	.02920	Neshaminy	.09750	West Branch Area	17900	Wattsburg Area	25970
West Allegheny	.02940	New Hope Solebury	.09760				
West Jefferson Hills	.02955	North Penn	46570	CLINTON		FAYETTE	
West Mifflin Area	.02960	Palisades	.09800	Jersey Shore Area	41400	Albert Gallatin Area	26030
Wilksburg Borough	.02980	Penndel	.09810	Keystone Central	18360	Belle Vernon Area	65060
Woodland Hills	.02990	Pennsbury	.09820	West Branch Area	17900	Brownsville Area	26080
		Quakertown Community	.09840			Connellsville Area	26130
		Soudertown Area	46710	COLUMBIA		Frazier	26290
ARMSTRONG				Benton Area	19100	Laurel Highlands	26400
Allegheny Clarion Valley	16030	BUTLER		Berwick Area	19110	Southmoreland	65750
Apollo-Ridge	03060	Allegheny Clarion Valley	16030	Bloomsburg Area	19120	Uniontown Area	26800
Armstrong	03085	Butler Area	10125	Central Columbia	19150		
Freeport Area	03305	Freeport Area	03305	Millville Area	19500	FOREST	
Karns City Area	10360	Karns City Area	10360	Mount Carmel Area	49510	Forest Area	27200
Kiski Area	65440	Mars Area	10500	North Schuylkill	54500		
Leechburg Area	03450	Moniteau	10535	Southern Columbia Area	19750	FRANKLIN	
Redbank Valley	16800	Seneca Valley	10790			Chambersburg Area	28130
		Slippery Rock Area	10750	CRAWFORD		Fannett-Metal	28200
		South Butler County	10780	Conneaut	20103	Greencastle-Antrim	28300
BEAVER				Corry Area	25145	Shippensburg Area	21800
Aliquippa Borough	04050	CAMBRIA		Crawford Central	20135	Tuscarora	28600
Ambridge Area	04070	Blacklick Valley	11060	Jamestown Area	43360	Waynesboro Area	28900
Beaver Area	04120	Cambria Heights	11120	Penncrest	20470		
Big Beaver Falls Area	04150	Central Cambria	11130	Titusville Area	61720	FULTON	
Blackhawk	04160	Conemaugh Valley	11140	Union City Area	25910	Central Fulton	29130
Center Area	04190	Ferndale Area	11200			Forbes Road	29230
Ellwood City Area	37200	Forest Hills	11220	CUMBERLAND		Southern Fulton	29750
Freedom Area	04285	Glendale	11220	Big Spring	21050		
Hopewell Area	04410	Greater Johnstown	11250	Camp Hill	21100	GREENE	
Midland Borough	04530	Glendale	11450	Carlisle Area	21110	Carmichaels Area	30130
Monaca	04545	Penn Cambria	11600	Cumberland Valley	21160	Central Greene	30140
New Brighton Area	04565	Portage Area	11630	East Pennsboro Area	21250	Jefferson-Morgan	30350
Riverside Beaver County	04585	Richland	11650	Mechanicsburg Area	21650	Southeastern Greene	30650
Rochester Area	04690	Westmont Hilltop	11850	Shippensburg Area	21800	West Greene	30850
Southside Area	04740	Windber Area	56910	South Middleton	21830		
Western Beaver County	04930			West Shore	21900	HUNTINGDON	
		CAMERON				Huntingdon Area	31250
BEDFORD		Cameron County	12270	DAUPHIN		Juniata Valley	31280
Bedford Area	05100			Central Dauphin	22140	Mount Union Area	31600
Chestnut Ridge	05150	CARBON		Derry Township	22175	South Huntingdon County	31750
Claysburg-Kimmel	07150	Hazleton Area	40330	Halifax Area	22250	Tussey Mountain	05800
Everett Area	05300	Jim Thorpe Area	13500	Harrisburg City	22275	Tyrone Area	07800
Northern Bedford County	05600	Lehighton Area	13550	Lower Dauphin	22400		
Tussey Mountain	05800						

Part-Year Residents who moved out of Pennsylvania during 1998 use code 99999.

SCHOOL DISTRICT CODES

SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE
INDIANA		Dallas	40160	Easton Area	48330	UNION	
Apollo-Ridge	03060	Greater Nanticoke Area	40260	Nazareth Area	48480	Lewisburg Area	60400
Armstrong	03085	Hanover Area	40300	Northampton Area	48490	Mifflinburg Area	60500
Blairsville-Saltsburg	32110	Hazleton Area	40330	Northern Lehigh	39450	Milton Area	49500
Harmony	17350	Lake-Lehman	40390	Pen Argyl Area	48560	Warrior Run	49800
Homer Center	32330	Northwest Area	40600	Saucon Valley	48600		
Indiana Area	32370	Pittston Area	40660	Wilson Area	48860		
Marion Center Area	32520	Wilkes-Barre Area	40885			VENANGO	
Penns Manor Area	32630	Wyoming Area	40920	NORTHUMBERLAND		Allegheny Clarion Valley	16030
Punxsutawney Area	33800	Wyoming Valley West	40930	Danville Area	47180	Cranberry Area	61130
Purchase Line	32730			Line Mountain	49350	Forest Area	27200
United	32800			Milton Area	49500	Franklin Area	61220
		LYCOMING		Mount Carmel Area	49510	Oil City Area	61620
JEFFERSON		Canton Area	08100	Shamokin Area	49650	Penncrest	20470
Brookway Area	33070	East Lycoming	41200	Shikellamy	49660	Titusville Area	61720
Brookville Area	33080	Jersey Shore Area	41400	Southern Columbia Area	19750	Valley Grove	61860
Clarion-Limestone Area	16170	Loyalsock Township	41420	Warrior Run	49800		
Dubois Area	17200	Montgomery Area	41500			WARREN	
Punxsutawney Area	33800	Montoursville Area	41510	PERRY		Corry Area	25145
		Muncy	41530	Fannett-Metal	28200	Titusville Area	61720
		South Williamsport Area	41610	Greenwood	50300	Warren County	62830
		Southern Tioga	59700	Newport	50400		
		Wellsboro Area	59850	Susquehanna	50600		
		Williamsport Area	41720	West Perry	50800		
						WASHINGTON	
JUNIATA				PHILADELPHIA		Avella Area	63050
Greenwood	50300	MCKEAN		Philadelphia City	51500	Bentworth	63090
Juniata County	34360	Bradford Area	42080			Bethlehem Center	63100
		Kane Area	42230	PIKE		Brownsville Area	26080
LACKAWANNA		Oswayo Valley	53750	Delaware Valley	52200	Burgettstown Area	63120
Abington Heights	35030	Otto Eldred	42600	East Stroudsburg Area	45200	California Area	63150
Carbondale Area	35130	Port Allegany	42630	Wallenpaupack Area	64830	Canon McMillan	63170
Dunmore	35220	Smethport Area	42750			Charleroi	63180
Forest City Regional	58300			POTTER		Chartiers Houston	63190
Lackawanna Trail	66500			Austin Area	53030	Fort Cherry	63240
Lakeland	35460			Coudersport Area	53130	McGuffey	63390
Mid Valley	35550	MERCER		Galeton Area	53280	Peters Township	63650
North Pocono	35650	Commodore Perry	43130	Keystone Central	18360	Ringgold	63700
Old Forge	35660	Hermitage	43330	Northern Potter	53550	Trinity Area	63800
Riverside	35700	Jamestown Area	43360	Oswayo Valley	53750	Washington	63880
Scranton City	35740	Lakeview	43390	Port Allegany	42630		
Valley View	35840	Mercer Area	43500			WAYNE	
		Reynolds	43530	SCHUYLKILL		Forest City Regional	58300
		Sharon City	43560	Blue Mountain	54080	North Pocono	35650
LANCASTER		Sharpsville Area	43570	Hazleton Area	40330	Susquehanna Community	58650
Cocalico	36130	West Middlesex Area	43750	Mahanoy Area	54450	Wallenpaupack Area	64830
Columbia Borough	36150	Wilmington Area	37800	Minersville Area	54470	Wayne Highlands	64870
Conestoga Valley	36170			North Schuylkill	54500	Western Wayne	64890
Donegal	36220	MIFFLIN		Panther Valley	13660		
Eastern Lancaster County	36230	Mifflin County	44460	Pine Grove Area	54600	WESTMORELAND	
Elizabethtown Area	36240	Mount Union Area	31600	Pottsville Area	54610	Belle Vernon Area	65060
Ephrata Area	36260			Saint Clair Area	54680	Blairsville-Saltsburg	32110
Hempfield	36310	MONROE		Shenandoah Valley	54720	Burrell	65070
Lampeter-Strasburg	36360	East Stroudsburg Area	45200	Schuylkill Haven Area	54730	Derry Area	65160
Lancaster	36400	Pleasant Valley	45520	Tamaqua Area	54760	Franklin Regional	65260
Manheim Central	36440	Pocono Mountain	45540	Tri Valley	54780	Greater Latrobe	65310
Manheim Township	36450	Stroudsburg Area	45600	Williams Valley	54880	Greensburg Salem	65320
Octorara Area	36500			SNYDER		Hempfield Area	65380
Penn Manor	36520	MONTGOMERY		Midd-West	55500	Jeannette City	65410
Pequea Valley	36530	Abington	46030	Selinsgrove	55710	Kiski Area	65440
Solanco	36700	Boyertown Area	06075			Leechburg Area	03450
Warwick	36900	Bryn Athyn Borough	46050	SOMERSET		Ligonier Valley	65490
		Cheltenham Township	46130	Berlin Brothersvalley	56100	Monessen City	65580
LAWRENCE		Colonial	46160	Conemaugh Township Area	56180	Mount Pleasant Area	65590
Blackhawk	04160	Hatboro-Horsham	46360	Meyersdale Area	56520	New Kensington Arnold	65630
Ellwood City Area	37200	Jenkintown	46380	North Star	56550	Norwin	65650
Laurel	37400	Lower Merion	46450	Rockwood Area	56630	Penn-Trafford	65710
Mohawk Area	37500	Lower Moreland Township	46460	Salisbury Elk Lick	56700	Southmoreland	65750
Neshannock Township	37520	Methacton	46530	Shade-Central City	56720	Yough	65890
New Castle Area	37530	Norristown Area	46560	Shanksville-Stonycreek	56740		
Shenango Area	37620	North Penn	46570	Somerset Area	56770	WYOMING	
Union Area	37700	Perkiomen Valley	46610	Turkeyfoot Valley Area	56840	Elk Lake	58250
Wilmington Area	37800	Pottsgrove	46630	Windber Area	56910	Lackawanna Trail	66500
		Pottstown	46640			Lake-Lehman	40390
		Souderton Area	46710			Tunkhannock Area	66750
		Springfield Township	46720	SULLIVAN		Wyalusing Area	08900
		Spring Ford Area	46730	Sullivan County	57630	Wyoming Area	40920
		Upper Dublin	46830				
		Upper Merion Area	46840	SUSQUEHANNA		YORK	
		Upper Moreland Township	46850	Blue Ridge	58100	Central York	67130
		Upper Perkiomen	46860	Elk Lake	58250	Dallastown Area	67160
		Wissahickon	46930	Forest City Regional	58300	Dover Area	67180
				Montrose Area	58450	Eastern York	67220
		MONTOUR		Mountain View	58460	Hanover Public	67280
		Danville Area	47180	Susquehanna Community	58650	Northeastern York	67440
		Warrior Run	49800			Northern York County	67460
				TIAGA		Red Lion Area	67550
		NORTHAMPTON		Canton Area	08100	South Eastern	67620
		Bangor Area	48080	Galeton Area	53280	South Western	67640
		Bethlehem Area	48100	Northern Tioga	59600	Southern York County	67650
		Catasauqua Area	39130	Southern Tioga	59700	Spring Grove Area	67670
				Wellsboro Area	59850	West Shore	21900
						West York Area	67850
						York City	67900
						York Suburban	67940

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