

Instructions Form 1041 and Schedules A, B, G, J, and K-1 2023

U.S. Income Tax Return for Estates and Trusts

Volume 3 of 4



Department of the Treasury
Internal Revenue Service

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- State and local real property taxes.

Note. The deduction for foreign real property taxes is no longer allowed.

- State and local personal property taxes.
- Foreign or U.S. territory income taxes.
You may want to take a credit for the tax instead of a deduction. See the instructions for Schedule G, Part I, line 2a, later, for more details.
- The generation-skipping transfer (GST) tax imposed on income distributions.
Don't deduct:
 - Federal income taxes;
 - Estate, inheritance, legacy, succession, and gift taxes;
 - Federal duties and excise taxes; or
 - Foreign real property taxes.

Do not deduct the estate's or trust's deduction for social security and Medicare taxes by the amount claimed on its employment tax returns for the nonrefundable and refundable portions of the FFCRA and the ARP credits for qualified sick and family leave wages. Instead, report this amount as income on line 8.

Safe harbor for certain charitable contributions made in exchange for a state or local tax credit. If you made a charitable contribution in exchange for a state or local tax credit and your charitable contribution deduction must be reduced as a result of receiving or expecting to receive the tax credit, you may qualify for a safe harbor that allows you to treat some or all of the disallowed charitable contribution as a payment of state and local taxes. The safe harbor applies if you meet the following conditions.

1. You made a cash contribution to an entity described in section 170(c).
2. In return for the cash contribution, you received a state or local tax credit.
3. You must reduce your charitable contribution deduction by the amount of the state or local tax credit you receive.

If you meet these conditions, and to the extent you apply the state or local tax credit to this or a prior year's state or local tax liability, you may include this amount on line 11. To the extent you apply a portion of the credit to offset your state or local tax liability in a subsequent year (as permitted by law), you may treat this amount as state or local tax paid in the year the credit is applied. For more information about this safe harbor and examples, see [Notice 2019-12](#).

Line 12—Fiduciary Fees

Enter the deductible fees paid or incurred to the fiduciary for administering the estate or trust during the tax year.

Fiduciary expenses include probate court fees and costs, fiduciary bond premiums, legal publication costs of notices to creditors or heirs, the cost of certified copies of the decedent's death certificate, and costs related to fiduciary accounts.



Fiduciary fees deducted on Form 706 can't be deducted on Form 1041.

Note. Fiduciary fees are allowable under section 67(e) if they are costs that are paid or incurred in connection with the administration of an estate or a non-grantor trust that would not have been incurred if the property were not held in such estate or trust. See [Final Regulations - TD9918](#) and Regulations section 1.67-4 for more information.

Line 14—Attorney, Accountant, and Return Preparer Fees

Expenses for preparation of fiduciary income tax returns, the decedent's final individual income tax returns, and all estate and GST tax returns are fully deductible. However, expenses for preparing all other tax returns, including gift tax returns, are considered costs commonly and customarily incurred by individuals and are **not** deductible. For more information, see [*Final Regulations - TD9918*](#) and Regulations section 1.67-4.

Line 15a—Other Deductions

Attach your own statement, listing by type and amount all allowable deductions that aren't deductible elsewhere on Form 1041.

Allowable deductions include all deductions listed in section 67(b) (including estate taxes attributable to IRD under section 691(c)), and other costs allowable under section 67(e) paid or incurred in connection with the

administration of the estate or trust that would not have been incurred if the property were not held in the estate or trust.

Don't include any losses on worthless bonds and similar obligations and nonbusiness bad debts. Report these losses, as applicable, on Form 8949.

Don't deduct medical or funeral expenses on Form 1041. Medical expenses of the decedent paid by the estate may be deductible on the decedent's income tax return for the year incurred. See section 213(c). Funeral expenses are deductible only on Form 706.

Other costs paid or incurred by estates and non-grantor trusts. Under section 67(e), deductions are allowable for costs which are paid or incurred by an estate or non-grantor trust in connection with the administration of the estate or trust and would **not** have been incurred if the property were **not** held in such estate or trust.

In determining whether a cost is deductible by an estate or non-grantor trust, it must be determined whether the cost would be “commonly or customarily” incurred by a hypothetical individual owning the same property. If the cost would be deductible by a hypothetical individual, it is not deductible by the estate or non-grantor trust.

It is the type of product or service rendered to the estate or non-grantor trust in exchange for the cost, rather than the description of the cost of that product or service, that is determinative.

Costs that are incurred commonly or customarily by individuals include costs incurred in defense of a claim against the estate, the decedent, or the non-grantor trust that are unrelated to the existence, validity, or administration of the estate or trust. These amounts are not allowable deductions.

Ownership costs. Ownership costs are costs that are chargeable to or incurred by an owner of property simply by reason of being the owner of the property. These costs are commonly or customarily incurred by a hypothetical individual owner of such property and are not deductible by an estate or non-grantor trust. Under section 67(b), they include, but are not limited to, condominium fees, insurance premiums, maintenance and lawn services, automobile registration and insurance costs, and partnership costs deemed to be passed through to and reportable by a partner. Other expenses incurred merely by reason of the ownership of property may be fully deductible under other provisions of the Code.

Appraisal fees. Appraisal fees incurred to determine the FMV of assets as of the decedent's date of death (or the alternate valuation date), to determine value for purposes of making distributions, or as

otherwise required to properly prepare the estate's or trust's tax returns, or a GST tax return, are not incurred commonly or customarily by an individual and are deductible. The cost of appraisals for other purposes (for example, insurance) is commonly or customarily incurred by individuals and is not an allowable deduction.

Investment advisory fees. Fees for investment advice, including any related services that would be provided to any individual investor as part of an investment advisory fee, are incurred commonly or customarily by a hypothetical individual investor and are not deductible. However, certain incremental costs of investment advice beyond the amount that would normally be charged to an individual investor are deductible.

An incremental cost is a special, additional charge that is added solely because the investment advice is rendered to a trust or

estate rather than to an individual, including balancing beyond the usual varying interests of current beneficiaries and remaindermen. The deductible portion of the investment advisory fees is limited to the amount of those fees, if any, that exceeds the fees normally charged to an individual investor. See Regulations section 1.67-4(b)(4).

Bundled fees. If an estate or non-grantor trust pays a single fee, commission, or other expense, such as a fiduciary's commission, attorney's fee, or accountant's fee for both costs that are incurred commonly or customarily by individuals and costs (other than a de minimis amount) that are **not** incurred commonly or customarily by individuals, then (except to the extent provided otherwise by guidance published in the Internal Revenue Bulletin) the single fee, commission, or other expense (bundled fee) must be allocated between the costs that are incurred commonly or customarily by

individuals, such costs not being deductible, and costs that are **not** incurred commonly or customarily by individuals, such costs being deductible.

There is an exception to the allocation rule if a bundled fee is not computed on an hourly basis. In this situation, only the portion of that fee that is attributable to investment advice is not deductible. The remaining portion **is** deductible.

Out-of-pocket expenses billed to the estate or non-grantor trust are treated as separate from the bundled fee and are not subject to allocation.

Estates and non-grantor trusts cannot deduct payments made from the bundled fee to third parties if such payments would not have been deductible if they had been paid directly by the estate or non-grantor trust.

Any reasonable method may be used to allocate a bundled fee, including without

limitation the allocation of a portion of a fiduciary commission that is a bundled fee to investment advice. For more information, see Regulations section 1.67-4(c)(4).

Note. The reasonable method standard does not apply to determine the portion of the bundled fee attributable to payments made to third parties commonly or customarily incurred by an individual or to any other separately assessed expense commonly or customarily incurred by an individual, because those payments and expenses are readily identifiable without any discretion on the part of the fiduciary or return preparer.

For more information, see Regulations section 1.67-4.

Other Deductions Reported on Line 15a

Bond premium(s). For taxable bonds acquired before October 23, 1986, if the fiduciary elected to amortize the premium, report the amortization on this line. If you

made the election to amortize the premium, the basis in the taxable bond must be reduced by the amount of amortization.

For tax-exempt bonds, you can't deduct the premium that is amortized. Although the premium can't be deducted, you must amortize the tax-exempt bond by the amount of premium amortized.

For more information, see section 171 and Pub. 550.

If you claim a bond premium deduction for the estate or trust, figure the deduction on a separate sheet and attach it to Form 1041.

Casualty and theft losses. Use Form 4684, *Casualties and Thefts*, to figure any deductible casualty and theft losses.

Estate's or trust's share of amortization, depreciation, and depletion not claimed elsewhere. If you can't deduct the estate's or trust's apportioned share of amortization, depreciation, and depletion as rent or royalty

expenses on Schedule E (Form 1040), or as business or farm expenses on Schedule C or F (Form 1040), itemize the estate's or trust's apportioned share of the deductions on an attached sheet and include them on line 15a.

Note. Don't report the beneficiary's apportioned share of depreciation, depletion, and amortization on line 15a. Report the beneficiary's apportioned share of deductions in box 9 of Schedule K-1 (Form 1041).

Itemize each beneficiary's apportioned share of the deductions and report them in the appropriate box of Schedule K-1 (Form 1041).

Section 179D. Enter any applicable deduction under section 179D for costs of energy efficient commercial business property placed in service during the tax year. Complete and attach Form 7205, Energy Efficient Commercial Buildings Deduction.

Line 15b—Net Operating Loss Deduction

An estate or trust is allowed an NOLD under section 172.

If you claim an NOLD for the estate or trust, figure the deduction on a separate sheet and attach it to the return.

Line 18—Income Distribution Deduction

If the estate or trust was required to distribute income currently or if it paid, credited, or was required to distribute any other amounts to beneficiaries during the tax year, complete Schedule B to determine the estate's or trust's income distribution deduction. However, if you are filing for a pooled income fund, don't complete Schedule B. Instead, attach a statement to support the computation of the income distribution deduction. For more information, see *Pooled Income Funds*, earlier.

If the estate or trust claims an income distribution deduction, complete and attach:

- Part I (through line 24) and Part II of Schedule I (Form 1041) to refigure the deduction on a minimum tax basis, and
- Schedule K-1 (Form 1041) for each beneficiary to which a distribution was made or required to be made.

Cemetery perpetual care fund. On line 18, deduct the amount, not more than \$5 per gravesite, paid for maintenance of cemetery property. To the right of the entry space for line 18, enter the number of gravesites. Also enter "Section 642(i) trust" in parentheses after the trust's name at the top of Form 1041. You don't have to complete Schedule B of Form 1041, and Schedule K-1 (Form 1041).

Don't enter less than zero on line 18.

Line 19—Estate Tax Deduction Including Certain Generation-Skipping Transfer Taxes

If the estate or trust includes IRD in its gross income, and such amount was included in the decedent's gross estate for estate tax purposes, the estate or trust is allowed to deduct in the same tax year that the income is included that portion of the estate tax imposed on the decedent's estate that is attributable to the inclusion of the IRD in the decedent's estate. For an example of the computation, see Regulations section 1.691(c)-1 and Pub. 559.

If any amount properly paid, credited, or required to be distributed by an estate or trust to a beneficiary consists of IRD received by the estate or trust, don't include such amounts in determining the estate tax deduction for the estate or trust. Figure the deduction on a separate sheet. Attach the sheet to your return.



If you claim a deduction for estate tax attributable to qualified dividends or capital gains, you may have to adjust the amount on Form 1041, page 1, line 2b(2); or Schedule D (Form 1041), line 22.

Also, a deduction is allowed for the GST tax imposed as a result of a taxable termination or a direct skip occurring as a result of the death of the transferor. See section 691(c)(3). Enter the estate's or trust's share of these deductions on line 19.

Line 20—Qualified Business Income Deduction

To figure your QBI deduction, use Form 8995 or Form 8995-A, as applicable.

Use Form 8995 if:

- You have QBI (loss), real estate investment trust (REIT) dividends, or PTP income (loss);

- Your 2023 taxable income before the QBI deduction is less than or equal to \$182,100; and
- You aren't a patron in a specified agricultural or horticultural cooperative.

If you don't meet these requirements, use Form 8995-A. Attach whichever form you use (Form 8995 or 8995-A) to your return. Also attach Schedule C, E, or F (Form 1040), whichever form you use to report information about your QBI. See the instructions for Forms 8995 and 8995-A for more information for figuring and reporting your QBI deduction.

Note. Report the beneficiary's apportioned share of items of QBI (loss) subject to beneficiary specific determinations, W-2 wages, unadjusted basis immediately after acquisition (UBIA) of qualified property, qualified REIT dividends, and qualified PTP income on a statement attached to Schedule K-1 (Form 1041). See the instructions for box

14, code I, of Schedule K-1 (Form 1041), later.

Line 21—Exemption

Decedents' estates. A decedent's estate is allowed a \$600 exemption.

Trusts required to distribute all income currently. A trust whose governing instrument requires that all income be distributed currently is allowed a \$300 exemption, even if it distributed amounts other than income during the tax year.

Qualified disability trusts. A qualified disability trust is allowed a \$4,700 exemption. This amount is not subject to phaseout.

A qualified disability trust is any trust:

1. Described in 42 U.S.C. 1396p(c)(2)(B)(iv) and established solely for the benefit of an individual under 65 years of age who is disabled, and

2. All of the beneficiaries of which are determined by the Commissioner of Social Security to have been disabled for some part of the tax year within the meaning of 42 U.S.C. 1382c(a)(3).

A trust will not fail to meet item 2 above just because the trust's corpus may revert to a person who isn't disabled after the trust ceases to have any disabled beneficiaries.

All other trusts. A trust not described above is allowed a \$100 exemption.

Tax and Payments

Line 23—Taxable Income

Minimum taxable income. Line 23 can't be less than the larger of:

- The inversion gain of the estate or trust, as figured under section 7874, if the estate or trust is an expatriated entity or a partner in an expatriated entity; or

- The sum of the excess inclusions of the estate or trust from

Schedule Q (Form 1066), Quarterly Notice to Residual Interest Holder of REMIC Taxable Income or Net Loss Allocation, line 2c.

Net operating loss (NOL). If line 23 (figured without regard to the minimum taxable income rule stated above) is a loss, the estate or trust may have an NOL. Don't include the deductions claimed on lines 13, 18, and 21 when figuring the amount of the NOL.

Generally, an NOL can only be carried forward to subsequent years and cannot be carried back. The 2-year carryback period only applies to the portion of an NOL attributable to a farming loss. For more information, see Pub. 536.

Complete Schedule A of Form 1045, Application for Tentative Refund, to figure the amount of the NOL that is available for

carryback or carryover. Use Form 1045 or file an amended return to apply for a refund based on an NOL carryback. For more information, see the Instructions for Form 1045.

On the termination of the estate or trust, any unused NOL carryover that would be allowable to the estate or trust in a later tax year but for the termination is allowed to the beneficiaries succeeding to the property of the estate or trust. See the instructions for box 11, codes E and F, of Schedule K-1 (Form 1041), later.

Excess deductions on termination. If the estate or trust has for its final year deductions (excluding the charitable deduction and personal exemption) in excess of its gross income, the excess deductions are allowed to the beneficiaries succeeding to the property of the estate or trust and retain their separate character as an amount allowed in arriving at AGI, a non-miscellaneous itemized

deduction, or a miscellaneous itemized deduction. In general, an unused NOL carryover that is allowed to beneficiaries (as explained above) can't also be treated as an excess deduction. However, if the final year of the estate or trust is also the last year of the NOL carryover period, the NOL carryover not absorbed in that tax year by the estate or trust is included as an excess deduction. See the instructions for box 11, codes A and B, of Schedule K-1 (Form 1041), later.

Line 25—Current Payment on Deferred Net 965 Tax Liability

If you made a payment with respect to a current net 965 tax liability, enter the amount of the payment from Form 965-A, Part II, column (k).

Line 27—Estimated Tax Penalty

If line 28 is at least \$1,000 and more than 10% of the tax shown on Form 1041, or the estate or trust underpaid its 2023 estimated

tax liability for any payment period, it may owe a penalty. See Form 2210 to determine whether the estate or trust owes a penalty and to figure the amount of the penalty.

Note. The penalty may be waived or reduced under certain conditions. See Pub. 505, Tax Withholding and Estimated Tax, and the Instructions for Form 2210 for details.

Line 28—Tax Due

You must pay the tax in full when the return is filed. You may pay by EFTPS. For more information about EFTPS, see *Electronic Deposits*, earlier. Also, you may pay by check or money order or by credit or debit card.

To pay by check or money order. If you pay by check or money order:

- Make it payable to “United States Treasury”;
- Make sure the name of the estate or trust appears on the payment;

- Write the estate's or trust's EIN and "2023 Form 1041" on the payment;
- Consider completing the 2023 Form 1041-V; and
- Enclose, but don't attach, the payment (and Form 1041-V, if completed) with Form 1041.

Note. The IRS can't accept a single check (including a cashier's check) for amounts of \$100,000,000 (\$100 million) or more. If you're sending \$100 million or more by check, you'll need to spread the payments over two or more checks with each check made out for an amount less than \$100 million. The \$100 million or more amount limit **doesn't** apply to other methods of payment (such as electronic payments), so please consider paying by means other than checks.

To pay by credit or debit card. For information on paying your taxes electronically, including by credit or debit card, go to [IRS.gov/E-pay](https://www.irs.gov/E-pay).

Line 30a—Credited to 2024 Estimated Tax

Enter the amount from line 29 that you want applied to the estate's or trust's 2024 estimated tax.

Schedule A—Charitable Deduction

General Instructions

Generally, any part of the gross income of an estate or trust (other than a simple trust) that, under the terms of the will or governing instrument, is paid (or treated as paid) during the tax year for a charitable purpose specified in section 170(c) is allowed as a deduction to the estate or trust. It isn't necessary that the charitable organization be created or organized in the United States.

A pooled income fund or a section 4947(a)(1) nonexempt charitable trust treated as a private foundation must attach a separate sheet to Form 1041 instead of using Schedule A of Form 1041 to figure the charitable deduction.

Additional return to be filed by trusts.

Trusts, other than split-interest trusts or nonexempt charitable trusts, that claim a charitable deduction also file Form 1041-A unless the trust is required to distribute currently to the beneficiaries all the income for the year determined under section 643(b) and related regulations.

Pooled income funds and charitable lead trusts also file Form 5227. See Form 5227 for information about any exceptions.

Election to treat contributions as paid in the prior tax year. The fiduciary of an estate or trust may elect to treat as paid during the tax year any amount of gross income received during that tax year or any prior tax

year that was paid in the next tax year for a charitable purpose.

For example, if a calendar year estate or trust makes a qualified charitable contribution on February 7, 2024, from income earned in 2023 or prior, then the fiduciary can elect to treat the contribution as paid in 2023.

To make the election, the fiduciary must file a statement with Form 1041 for the tax year in which the contribution is treated as paid. This statement must include:

1. The name and address of the fiduciary;
2. The name of the estate or trust;
3. An indication that the fiduciary is making an election under section 642(c)(1) for contributions treated as paid during such tax year;

4. The name and address of each organization to which any such contribution is paid; and
5. The amount of each contribution and date of actual payment or, if applicable, the total amount of contributions paid to each organization during the next tax year, to be treated as paid in the prior tax year.

The election must be filed by the due date (including extensions) for Form 1041 for the next tax year. If the original return was filed on time, you may make the election on an amended return filed no later than 6 months after the due date of the return (excluding extensions). Enter "Filed pursuant to section 301.9100-2" at the top of the amended return and file it at the same address you used for your original return.

For more information about the charitable deduction, see section 642(c) and the related regulations.

Specific Instructions

Line 1—Amounts Paid or Permanently Set Aside for Charitable Purposes From Gross Income

Enter amounts that were paid for a charitable purpose out of the estate's or trust's gross income, including any capital gains that are attributable to income under the governing instrument or local law. Include amounts paid during the tax year from gross income received in a prior tax year, but only if no deduction was allowed for any prior tax year for these amounts.

Estates, and certain trusts, may claim a deduction for amounts permanently set aside for a charitable purpose from gross income. Such amounts must be permanently set aside during the tax year to be used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, or for the

establishment, acquisition, maintenance, or operation of a public cemetery not operated for profit.

For a trust to qualify, the trust may not be a simple trust, and the set-aside amounts must be required by the terms of a trust instrument that was created on or before October 9, 1969.

Further, the trust instrument must provide for an irrevocable remainder interest to be transferred to or for the use of an organization described in section 170(c) or the trust must have been created by a grantor who was at all times after October 9, 1969, under a mental disability to change the terms of the trust.

Also, certain testamentary trusts that were established by a will that was executed on or before October 9, 1969, may qualify. See Regulations section 1.642(c)-2(b).

Don't include any capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes. Instead, enter these amounts on line 4.

Line 2—Tax-Exempt Income Allocable to Charitable Contributions

Any estate or trust that pays or sets aside any part of its income for a charitable purpose must reduce the deduction by the portion allocable to any tax-exempt income. If the governing instrument specifically provides as to the source from which amounts are paid, permanently set aside, or to be used for charitable purposes, the specific provisions control. In all other cases, determine the amount of tax-exempt income allocable to charitable contributions by multiplying line 1 by a fraction, the numerator of which is the total tax-exempt income of the estate or trust, and the denominator of which is the gross income of the estate or trust. Don't

include in the denominator any losses allocated to corpus.

Line 4—Capital Gains for the Tax Year Allocated to Corpus and Paid or Permanently Set Aside for Charitable Purposes

Enter the total of all capital gains for the tax year that are:

- Allocated to corpus, and
- Paid or permanently set aside for charitable purposes.

Line 6—Section 1202 Exclusion Allocable to Capital Gains Paid or Permanently Set Aside for Charitable Purposes

If the exclusion of gain from the sale or exchange of qualified small business (QSB) stock was claimed, enter the part of the gain included on Schedule A, lines 1 and 4, that was excluded under section 1202.

Schedule B—Income Distribution Deduction

General Instructions

If the estate or trust was required to distribute income currently or if it paid, credited, or was required to distribute any other amounts to beneficiaries during the tax year, complete Schedule B to determine the estate's or trust's income distribution deduction.

Note. Use Schedule I (Form 1041) to compute the DNI and income distribution deduction on a minimum tax basis.

Pooled income funds. Don't complete Schedule B for these funds. Instead, attach a separate statement to support the computation of the income distribution deduction. See *Pooled Income Funds*, earlier, for more information.

Separate share rule. If a single trust or an estate has more than one beneficiary, and if different beneficiaries have substantially separate and independent shares, their shares are treated as separate trusts or estates for the sole purpose of determining the DNI allocable to the respective beneficiaries.

If the separate share rule applies, figure the DNI allocable to each beneficiary on a separate sheet and attach the sheet to this return. Any deduction or loss that is applicable solely to one separate share of the trust or estate isn't available to any other share of the same trust or estate.

For more information, see section 663(c) and related regulations.

Withholding of tax on foreign persons.

The fiduciary may be liable for withholding tax on distributions to beneficiaries who are

foreign persons. For more information, see Pub. 515, and Forms 1042 and 1042-S.

Specific Instructions

Line 1—Adjusted Total Income

Generally, enter on Schedule B, line 1, the amount from line 17 on page 1 of Form 1041. However, if both line 4 and line 17 on page 1 of Form 1041 are losses, enter on Schedule B, line 1, the smaller of those losses. If line 4 is zero or a gain and line 17 is a loss, enter zero on line 1 of Schedule B.

If you are filing for a simple trust, subtract from adjusted total income any extraordinary dividends or taxable stock dividends included on page 1, line 2, and determined under the governing instrument and applicable local law to be allocable to corpus.

Line 2—Adjusted Tax-Exempt Interest

To figure the adjusted tax-exempt interest, follow the steps below.

Step 1. Add tax-exempt interest income on line 2 of Schedule A, any expenses allowable under section 212 allocable to tax-exempt interest, and any interest expense allocable to tax-exempt interest.

Step 2. Subtract the Step 1 total from the amount of tax-exempt interest (including exempt-interest dividends) received.

Section 212 expenses that are directly allocable to tax-exempt interest are allocated only to tax-exempt interest. A reasonable proportion of section 212 expenses that are indirectly allocable to both tax-exempt interest and other income must be allocated to each class of income.

Figure the interest expense allocable to tax-exempt interest according to the guidelines in Rev. Proc. 72-18, 1972-1 C.B. 740.

See Regulations sections 1.643(a)-5 and 1.265-1 for more information.

Line 3

Include all capital gains, whether or not distributed, that are attributable to income under the governing instrument or local law. For example, if the trustee distributed 50% of the current year's capital gains to the income beneficiaries (and reflects this amount on Schedule D (Form 1041), line 19, column (1)), but under the governing instrument all capital gains are attributable to income, then include 100% of the capital gains on line 3. If the amount on Schedule D (Form 1041), line 19, column (1), is a net loss, enter zero.

If the exclusion of gain from the sale or exchange of QSB stock was claimed, don't reduce the gain on line 3 by any amount excluded under section 1202.

Line 5

In figuring the amount of long-term and short-term capital gain for the tax year included on Schedule A, line 1, the specific

provisions of the governing instrument control if the instrument specifically provides as to the source from which amounts are paid, permanently set aside, or to be used for charitable purposes.

In all other cases, determine the amount to enter by multiplying line 1 of Schedule A by a fraction, the numerator of which is the amount of net capital gains that are included in the accounting income of the estate or trust (that is, not allocated to corpus) and are distributed to charities, and the denominator of which is all items of income (including the amount of such net capital gains) included in the DNI.

Reduce the amount on line 5 by any allocable section 1202 exclusion.

Line 8—Accounting Income

If you are filing for a decedent's estate or a simple trust, skip this line. If you are filing for a complex trust, enter the income for the tax

year determined under the terms of the governing instrument and applicable local law. Don't include extraordinary dividends or taxable stock dividends determined under the governing instrument and applicable local law to be allocable to corpus.

Lines 9 and 10

Don't include any:

- Amount that was deducted on the prior year's return that was required to be distributed in the prior year,
- Amount that is paid or permanently set aside for charitable purposes or otherwise qualifying for the charitable deduction, or
- Amount that is properly paid or credited as a gift or bequest of a specific amount of money or specific property.

Note. An amount that can be paid or credited only from income isn't considered a gift or bequest. Also, to qualify as a gift or bequest,

the amount must be paid in three or fewer installments.

Line 9—Income Required To Be Distributed Currently

Line 9 is to be completed by all simple trusts as well as complex trusts and decedents' estates that are required to distribute income currently, whether it is distributed or not. The determination of whether trust income is required to be distributed currently depends on the terms of the governing instrument and the applicable local law.

The line 9 distributions are referred to as "first-tier distributions" and are deductible by the estate or trust to the extent of the DNI. The beneficiary includes such amounts in their income to the extent of their proportionate share of the DNI.

Line 10—Other Amounts Paid, Credited, or Otherwise Required To Be Distributed

Line 10 is to be completed only by a decedent's estate or complex trust. These distributions consist of any other amounts paid, credited, or required to be distributed and are referred to as "second-tier distributions." Such amounts include annuities to the extent not paid out of income, mandatory and discretionary distributions of corpus, and distributions of property in kind.

If Form 1041-T was timely filed to elect to treat estimated tax payments as made by a beneficiary, the payments are treated as paid or credited to the beneficiary on the last day of the tax year and must be included on line 10.

Unless a section 643(e)(3) election is made, the value of all noncash property actually paid, credited, or required to be distributed to any beneficiaries is the smaller of:

1. The estate's or trust's adjusted basis in the property immediately before distribution, plus any gain or minus any loss recognized by the estate or trust on the distribution (basis of beneficiary); or
2. The FMV of such property.

If a section 643(e)(3) election is made by the fiduciary, then the amount entered on line 10 will be the FMV of the property.

A fiduciary of a complex trust or a decedent's estate may elect to treat any amount paid or credited to a beneficiary within 65 days following the close of the tax year as being paid or credited on the last day of that tax year. To make this election, see *Question 6* under *Other Information*, later.

The beneficiary includes the amounts on line 10 in their income only to the extent of their proportionate share of the DNI.

Complex trusts. If the second-tier distributions exceed the DNI allocable to the second tier, the trust may have an accumulation distribution. See the line 11 instructions below.

Line 11—Total Distributions

If line 11 is more than line 8, and you are filing for a complex trust that has previously accumulated income, see the instructions for Schedule J, later, to see if you must complete Schedule J (Form 1041), Accumulation Distribution for Certain Complex Trusts.

Line 12—Adjustment for Tax-Exempt Income

In figuring the income distribution deduction, the estate or trust isn't allowed a deduction for any item of the DNI that isn't included in the gross income of the estate or trust. Thus, for purposes of figuring the allowable income distribution deduction, the DNI (line 7) is

figured without regard to any tax-exempt interest.

If tax-exempt interest is the only tax-exempt income included in the total distributions (line 11), and the DNI (line 7) is less than or equal to line 11, then enter on line 12 the amount from line 2.

If tax-exempt interest is the only tax-exempt income included in the total distributions (line 11), and the DNI is more than line 11 (that is, the estate or trust made a distribution that is less than the DNI), then figure the adjustment by multiplying line 2 by a fraction, the numerator of which is the total distributions (line 11), and the denominator of which is the DNI (line 7). Enter the result on line 12.

If line 11 includes tax-exempt income other than tax-exempt interest, figure line 12 by subtracting the total of the following from tax-exempt income included on line 11.

1. The charitable contribution deduction allocable to such tax-exempt income.
2. Expenses allocable to tax-exempt income.

Expenses that are directly allocable to tax-exempt income are allocated only to tax-exempt income. A reasonable proportion of expenses indirectly allocable to both tax-exempt income and other income must be allocated to each class of income.

Schedule G—Tax Computation and Payments

Part I—Tax Computation Line 1a

2023 Tax Rate Schedule. For tax years beginning in 2023, figure the tax using the following Tax Rate Schedule and enter the tax on line 1a. However, see the Instructions for Schedule D (Form 1041) and the Qualified Dividends Tax Worksheet, later.

2023 Tax Rate Schedule

**If taxable income
is:**

Over—	But not over —	Its tax is:	Of the amount over —
\$0	\$2,900	10%	\$0
2,900	10,550	\$290 + 24%	2,900
10,550	14,450	\$2,126 + 35%	10,550
14,450	-----	\$3,491 + 37%	14,450

Schedule D (Form 1041) and Schedule D Tax Worksheet. Use Part V of Schedule D (Form 1041), or the Schedule D Tax Worksheet, whichever is applicable, to figure

the estate's or trust's tax if the estate or trust files Schedule D (Form 1041) and has:

- A net capital gain and any taxable income, or
- Qualified dividends on line 2b(2) of Form 1041 and any taxable income.

Qualified Dividends Tax Worksheet. If you don't have to complete Part I or Part II of Schedule D and the estate or trust has an amount entered on line 2b(2) of Form 1041 and any taxable income (line 23), then figure the estate's or trust's tax using the worksheet, later, and enter the tax on line 1a.

Note. You must reduce the amount you enter on line 2b(2) of Form 1041 by the portion of the section 691(c) deduction claimed on line 19 of Form 1041 if the estate or trust received qualified dividends that were IRD.

Line 1c—Alternative minimum tax. Attach Schedule I (Form 1041) if any of the following apply.

- The estate or trust must complete Schedule B.
- The estate or trust claims a credit on line 2b, 2c, or 2d of Schedule G.
- The estate's or trust's share of alternative minimum taxable income (line 27 of Schedule I (Form 1041)) exceeds \$28,400. Enter the amount from line 54 of Schedule I (Form 1041) on line 1c.

Line 1d—Total. If the amount from line 14 of Form 8978 is a positive amount, include it in the total reported on line 1d. On the dotted line next to line 1d, enter "From Form 8978" and the amount. Attach Form 8978.

Qualified Dividends Tax Worksheet—Schedule G, Part I, Line 1a

Keep for Your Records



Caution: Don't use this worksheet if the estate or trust must complete Schedule D (Form 1041).

1.	Enter the amount from Form 1041, line 23	1.	_____
2.	Enter the amount from Form 1041, line 2b(2)	2.	_____
3.	If you are claiming investment interest expense on Form 4952, enter the amount from line 4g; otherwise, enter -0-	3.	_____
4.	Subtract line 3 from line 2. If zero or less, enter -0-	4.	_____
5.	Subtract line 4 from line 1. If zero or less, enter -0-	5.	_____
6.	Enter the smaller of the amount on line 1 or \$3,000	6.	_____
7.	Enter the smaller of the amount on line 5 or line 6	7.	_____
8.	Subtract line 7 from line 6. If zero or less, enter -0-. This amount is taxed at 0%	8.	_____
9.	Enter the smaller of line 1 or line 4	9.	_____
10.	Subtract line 8 from line 4	10.	_____
11.	Enter the smaller of line 1 or \$14,650	11.	_____
12.	Add lines 5 and 8	12.	_____
13.	Subtract line 12 from line 11. If zero or less, enter -0-	13.	_____
14.	Enter the smaller of line 10 or line 13	14.	_____
15.	Multiply line 14 by 15% (0.15)	15.	_____
16.	Enter the amount from line 9	16.	_____
17.	Add lines 8 and 14	17.	_____
18.	Subtract line 17 from line 16. If zero or less, enter -0-	18.	_____
19.	Multiply line 18 by 20% (0.20)	19.	_____
20.	Figure the tax on the amount on line 5. Use the 2023 Tax Rate Schedule	20.	_____
21.	Add lines 15, 19, and 20	21.	_____
22.	Figure the tax on the amount on line 1. Use the 2023 Tax Rate Schedule	22.	_____
23.	Tax on all taxable income. Enter the smaller of line 21 or line 22 here and on Schedule G, line 1a	23.	_____

ESBT Tax Worksheet—Schedule G, Part I, Line 4

Keep for Your Records



ESBT Tax Computation	
1.	Ordinary income (loss) from Schedule K-1 (Form 1120-S) 1. _____
2a.	Total ordinary dividends from Schedule K-1 (Form 1120-S) 2a. _____
2b.	Qualified dividends from Schedule K-1 (Form 1120-S) 2b. _____
3.	Capital gain. See instructions and attach Schedule D (Form 1041) 3. _____
4.	Other income (loss) reported on Schedule K-1 (Form 1120-S) 4. _____
5.	Total income. Add lines 1, 2a, 3, and 4 5. _____
6.	Other allowable deductions from Schedule K-1 (Form 1120-S) 6. _____
7.	Administrative expenses (allocated to the S portion) 7. _____
8.	State and local income taxes (allocated to the S portion) 8. _____
9.	Interest expense on indebtedness to acquire S corporation stock 9. _____
10.	Charitable contribution deduction. Check here if deduction includes prior year carryover [] 10. _____
11.	Qualified business income deduction (S portion). Attach Form 8995 or 8995-A 11. _____
12.	Total deductions. Add lines 6 through 11 12. _____
13.	Taxable income (S portion). Subtract line 12 from line 5 13. _____
14a.	Tax. Tax on taxable income. See instructions 14a. _____
14b.	Alternative minimum tax (S portion). Attach Schedule I (Form 1041) 14b. _____
14c.	Total. Add lines 14a and 14b 14c. _____
15a.	Foreign tax credit (S portion). Attach Form 1116 15a. _____
15b.	General business credit (S portion). Attach Form 3800 15b. _____
15c.	Credit for prior year minimum tax (S portion). Attach Form 8801 15c. _____
15d.	Bond credits (S portion). Attach Form 8912 15d. _____
15e.	Total credits. Add lines 15a through 15d 15e. _____
16.	Recapture taxes (S portion). Check if from: Form 4255 [] or Form 8611 [] 16. _____
17.	Total ESBT tax. Subtract line 15e from line 14c and add line 16. Enter here and on Form 1041, Schedule G, Part I, line 4 17. _____

Line 2a—Foreign Tax Credit

Attach Form 1116, Foreign Tax Credit (Individual, Estate, or Trust), if you elect to claim credit for income or profits taxes paid or accrued to a foreign country or a U.S. territory. The estate or trust may claim credit for that part of the foreign taxes not allocable to the beneficiaries (including charitable beneficiaries). Enter the estate's or trust's share of the credit on line 2a. See Pub. 514, Foreign Tax Credit for Individuals, for details.

Line 2b—General Business Credit



Don't include any amounts that are allocated to a beneficiary. Credits that are allocated between the estate or trust and the beneficiaries are listed in the instructions for box 13 of Schedule K-1, later. Generally, these credits are apportioned on the basis of the income allocable to the estate or trust and the beneficiaries.

Enter on line 2b the estate's or trust's total general business credit allowed for the current year from Form 3800. The estate or trust must file Form 3800 to claim any of the general business credits. Generally, if the estate's or trust's only source of a credit is from a pass-through entity and the beneficiary isn't entitled to an allocable share of a credit, you aren't required to complete the source form for that credit. However, certain credits have limitations and special computations that may require you to complete the source form. See the Instructions for Form 3800 for more information.

Line 2c—Credit for Prior Year Minimum Tax

An estate or trust that paid AMT in a previous year may be eligible for a minimum tax credit in 2023. See Form 8801,

Credit for Prior Year Minimum Tax—
Individuals, Estates, and Trusts.

Line 2d—Bond Credits

Complete and attach Form 8912, Credit to Holders of Tax Credit Bonds, if the estate or trust claims a credit for holding a tax credit bond. Also, be sure to include the credit in interest income.

Line 2e—Total Credits

To claim a credit allowable to the estate or trust other than the credits entered on lines 2a through 2d, include the allowable credit in the total for line 2e. Complete and attach the appropriate form and enter the form number and amount of the allowable credit on the dotted line to the left of the entry space.

If the amount from line 14 of Form 8978 is a negative amount, treat it as a positive amount and add it to the total reported on line 2e. On the dotted line next to line 2e, enter "From Form 8978" and the amount. Attach Form 8978.

Line 4—Tax on the ESBT Portion of the Trust

Use the ESBT Tax Worksheet above to figure the ESBT tax. Enter the amount from line 17 of the ESBT Tax Worksheet on line 4.

See *Electing Small Business Trusts (ESBTs)*, earlier, for the special tax computation rules that apply to the portion of an ESBT consisting of stock in one or more S corporations.

Line 5—Net Investment Income Tax (NIIT)

Enter the amount of NIIT calculated and attach Form 8960.

See the Instructions for Form 8960 to calculate the tax, and *Net Investment Income Tax (NIIT)*, later, for more information.

Line 6a—Recapture of Investment Credit

If the estate or trust disposed of investment credit property or changed its use before the

end of the recapture period, see Form 4255, Recapture of Investment Credit, to figure the recapture tax allocable to the estate or trust. Include the tax on line 6a and enter “ICR” on the dotted line to the left of the entry space.

Line 6b—Recapture of Low-Income Housing Credit

If the estate or trust disposed of property (or there was a reduction in the qualified basis of the property) on which the low-income housing credit was claimed, see Form 8611, Recapture of Low-Income Housing Credit, to figure any recapture tax allocable to the estate or trust. Include the tax on line 6b and enter “LIHCR” on the dotted line to the left of the entry space.

Line 6c—Other Recapture Taxes

Recapture of qualified electric vehicle credit. If the estate or trust claimed the qualified electric vehicle credit in a prior tax year for a vehicle that ceased to qualify for

the credit, part or all of the credit may have to be recaptured. See Regulations section 1.30-1(b) for details. If the estate or trust owes any recapture tax, include it on line 6c and enter "QEVCR" on the dotted line to the left of the entry space.

Recapture of the new markets credit. If the estate or trust owes any new markets recapture tax, include it on line 6c and enter "NMCR" on the dotted line to the left of the entry space. For more information, including how to figure the recapture amount, see section 45D(g).

Recapture of the credit for employer-provided childcare facilities and services. If the facility ceased to operate as a qualified childcare facility or there was a change in ownership, part or all of the credit may have to be recaptured. See Form 8882, Credit for Employer-Provided Childcare Facilities and Services, for details. If the estate or trust owes any recapture tax, include it on line 6c

and enter "ECCFR" on the dotted line to the left of the entry space.

Recapture of the alternative motor vehicle credit. See section 30B(h)(8) for details. Include the tax on line 6c and enter "AMVCR" on the dotted line to the left of the entry space.

Recapture of the alternative fuel vehicle refueling property credit. See section 30C(e)(5) for details. Include the tax on line 6c and enter "ARPCR" on the dotted line to the left of the entry space.

Recapture of the section 45Q carbon oxide sequestration credit. See Form 8933, Part III, line 22. Include the section 45Q recapture amount on line 6c and enter "COSCR" on the dotted line to the left of the entry space.

Line 7—Household Employment Taxes

If any of the following apply, get Schedule H (Form 1040) and its instructions to see if the estate or trust owes these taxes.

1. The estate or trust paid any one household employee cash wages of \$2,600 or more in 2023. Cash wages include wages paid by checks, money orders, etc. When figuring the amount of cash wages paid, combine cash wages paid by the estate or trust with cash wages paid to the household employee in the same calendar year by the household of the decedent or beneficiary for whom the administrator, executor, or trustee of the estate or trust is acting.
2. The estate or trust withheld federal income tax during 2023 at the request of any household employee.

3. The estate or trust paid total cash wages of \$1,000 or more in any calendar quarter of 2022 or 2023 to household employees.

Enter on line 7 any household employment taxes owed from Schedule H (Form 1040), Part I, line 8d, or Part III, line 26.

Note. See *Amended Schedule H (Form 1040)* under *F. Initial Return, Amended Return, etc.*, earlier, for information on filing an amended Schedule H (Form 1040) for a Form 1041.

Line 8—Other Taxes and Amounts Due

Triggering event under section 965(i). If you had a triggering event under section 965(i) during the year, enter on line 8 the current year tax liability from the triggered deferred net 965 tax liability from Form 965-A, Part IV, column (f).

ESBTs. If a triggering event occurred in the S portion of the ESBT, also include on the attachment that shows the amount of the net 965 tax liability attributable to the S portion of the trust the triggered deferred net 965 tax liability from Form 965-A, Part IV, column (f).

Interest on deferred tax attributable to installment sales of certain timeshares and residential lots and certain nondealer real property installment obligations.

If an obligation arising from the disposition of real property to which section 453(l) or 453A applies is outstanding at the close of the year, the estate or trust must include the interest due under section 453(l)(3)(B) or 453A(c), whichever is applicable, in the amount to be entered on Form 1041, Schedule G, line 8, with the notation "Section 453(l) interest" or "Section 453A(c) interest," whichever is applicable. Attach a schedule showing the computation.

Form 4970, Tax on Accumulation

Distribution of Trusts. Include on this line any tax due on an accumulation distribution from a trust. To the left of the entry space, enter "From Form 4970" and the amount of the tax.

Form 8697, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts.

Include the interest due under the look-back method of section 460(b) (2). To the left of the entry space, enter "From Form 8697" and the amount of interest due.

Form 8866, Interest Computation Under the Look-Back Method for Property Depreciated Under the Income Forecast Method.

Include the interest due under the look-back method of section 167(g)(2). To the left of the entry space, enter "From Form 8866" and the amount of interest due.

Interest on deferral of gain from certain constructive ownership transactions.

Include the interest due under section 1260(b) on any deferral of gain from certain constructive ownership transactions. To the left of the entry space, enter "1260(b)" and the amount of interest due.

Form 5329, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts. If the estate or trust fails to receive the minimum distribution under section 4974, use Form 5329 to pay the excise tax. To the left of the entry space, enter "From Form 5329" and the amount of the tax.

Form 8978 Worksheet—Schedule G, Part I, Line 8

Keep for Your Records



Use this worksheet if (a) Schedule G, line 3, is zero; (b) after line 3 was reduced to zero, you have a negative amount from Form 8978, line 14, that was not used to reduce line 3 to zero; and (c) you have chapter 1 taxes entered on Schedule G, line 4; Schedule G, lines 6a–6c; Schedule G, line 8; and/or tax and interest from Form 8621.

1.	Enter the total amount of chapter 1 taxes from Schedule G, line 4; Schedule G, lines 6a–6c; Schedule G, line 8; and tax and interest from Form 8621	1.	_____
2.	Enter the negative amount from Form 8978, line 14, that has not already been used to reduce Schedule G, line 3, to zero	2.	(_____)
3.	Combine line 1 and line 2	3.	_____
4.	Enter the amount of non-chapter 1 taxes included on Schedule G, line 8	4.	_____
5.	If line 3 is negative, enter as a negative the amount from line 1. Otherwise, enter the amount from line 2	5.	(_____)
6.	Combine line 4 and line 5. Enter the result on Schedule G, line 8. This amount may be a negative number	6.	_____

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Additional tax on the early disposition of noncash property for which a section 247(g)(3) election was made by an Alaska Native Settlement Trust. This additional 10% tax only should be shown on an amended return filed by a Settlement Trust for the year in which the Settlement Trust received a contribution of noncash property from an Alaska Native Corporation and elected to defer the recognition of income related to such property, but disposed of the property within the first tax year subsequent to the tax year the Settlement Trust received the property. Determine the increase in tax due to the inclusion of the deferred income and include on this line the additional tax due, equal to 10% of the increase in tax due to the inclusion of the deferred income. The increase in tax due to the inclusion of the deferred income, which is the base amount for the computation of the additional 10% tax shown on this line, should be shown elsewhere on Schedule G. If the amended return also

shows changes to income, deductions, or credits unrelated to the inclusion of the deferred income, attach a schedule showing the computation of the additional tax due only to the inclusion of the deferred income. To the left of the entry space, enter "Section 247(g)(3) tax."

Form 8978 Worksheet. If you have a negative amount from Form 8978, line 14, that was not used to reduce Schedule G, line 3, to zero, and you have chapter 1 taxes and/or tax and interest from Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund, then complete the Form 8978 Worksheet—Schedule G, Part I, Line 8 to figure the amount to enter on line 8.

Line 9—Total Tax

Add Schedule G, Part I, lines 3 through 8. Enter the total on Schedule G, Part I, line 9; and page 1 of Form 1041, line 24.

Part II—Payments

Line 10—2023 Estimated Tax Payments and Amount Applied From 2022 Return

Enter the amount of any estimated tax payment you made with Form 1041-ES for 2023 plus the amount of any overpayment from the 2022 return that was applied to the 2023 estimated tax.

If the estate or trust is the beneficiary of another trust and received a payment of estimated tax that was credited to the trust (as reflected on the Schedule K-1 issued to the trust), then report this amount separately with the notation "Section 643(g)" in the space next to line 10 and include this amount in the amount entered on line 10.



Don't include on Form 1041 estimated tax paid by an individual before death. Instead, include those payments on the decedent's final income tax return.

Line 11—Estimated Tax Payments Allocated to Beneficiaries (From Form 1041-T)

The trustee (or executor, for the final year of the estate) may elect under section 643(g) to have any portion of its estimated tax treated as a payment of estimated tax made by a beneficiary or beneficiaries. The election is made on Form 1041-T, which must be filed by the 65th day after the close of the trust's tax year. Form 1041-T shows the amounts to be allocated to each beneficiary. This amount is reported in box 13, code A, of the beneficiary's Schedule K-1 (Form 1041).

Attach Form 1041-T to your return only if you haven't yet filed it; however, attaching Form 1041-T to Form 1041 doesn't extend the due date for filing Form 1041-T. If you have already filed Form 1041-T, don't attach a copy to your return.



Failure to file Form 1041-T by the due date (March 5, 2024, for calendar year estates and trusts) will result in an invalid election. An invalid election will require the filing of an amended Schedule K-1 for each beneficiary who was allocated a payment of estimated tax.

Line 13—Tax Paid With Form 7004

If you filed Form 7004 to request an extension of time to file Form 1041, enter the amount that you paid with the extension request.

Line 14—Federal Income Tax Withheld

Use line 14 to claim a credit for any federal income tax withheld (and not repaid) by (a) an employer on wages and salaries of a decedent received by the decedent's estate; (b) a payer of certain gambling winnings (for example, state lottery winnings); or (c) a payer of distributions from pensions, annuities, retirement or profit-sharing plans,

IRAs, insurance contracts, etc., received by a decedent's estate or trust. Attach a copy of Form W-2, Form W-2G, or Form 1099-R to the front of the return.



Except for backup withholding (as explained below), withheld income tax can't be passed through to beneficiaries on either Schedule K-1 or Form 1041-T.

Backup withholding. If the estate or trust received a 2023 Form 1099 showing federal income tax withheld (that is, backup withholding) on interest income, dividends, or other income, check the box and include the amount withheld on income retained by the estate or trust in the total for line 14.

Report in box 13, code B, of Schedule K-1 (Form 1041) any credit for backup withholding on income distributed to the beneficiary.

Line 15—Current Net 965 Tax Liability—Eligible for Installment Payment Election

If you have a section 965(i) net tax liability for which a triggering event has occurred in the current year and you are making a section 965(h) election with respect to that section 965 net tax liability, enter this amount from Form 965-A, Part I, column (f).

Line 16—Credit for Tax Paid on Undistributed Capital Gains

Attach Copy B of Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains.

Line 17—Credit for Federal Tax on Fuels

Enter any credit for federal excise taxes paid on fuels that are ultimately used for nontaxable purposes (for example, an off-highway business use). Attach Form 4136, Credit for Federal Tax Paid on Fuels. See Pub. 510, Excise Taxes, for more information.

Line 18a—Elective Payment Election Amount From Form 3800

Enter any elective payment election amount from Form 3800, Part III, line 6, column (i).

Line 18b—Other Credits or Payments

Enter the refundable portion of the qualified sick and family leave credit from Schedule H (Form 1040), Part I, lines 8e and 8f, on line 18b only if qualified sick and family leave wages were paid in 2023 for leave taken before April 1, 2021, or for leave taken after March 31, 2021, and before October 1, 2021.

Net Investment Income Tax (NIIT)

Certain estates and trusts may be subject to the NIIT. Estates and trusts use Form 8960 to report their NII and calculate the tax. The amount of NIIT payable by the estate or trust is reported on Form 1041, Schedule G, line 5.

The NIIT is imposed on estates and trusts to the extent that they have undistributed NII and AGI exceeding \$14,450. See *Definitions*, earlier, for the calculation of an estate's or trust's AGI. The following types of estates and trusts may owe the NIIT in addition to their regular income tax liability.

- Decedents' estates.
- Simple and complex trusts.
- ESBTs.
- Pooled income funds.
- Bankruptcy estates.

However, in the case of bankruptcy estates, the AGI threshold is \$125,000.

Calculation of NII. In general, an estate's or trust's NII is calculated in the same way as an individual's. However, there are special rules for the calculation of NII in the case of an ESBT. See the Instructions for Form 8960 and Regulations section 1.1411-3(e) for

information on the calculation (and Regulations section 1.1411-3(c)(1) for information on the ESBT calculation).

Distributions on NII. The NIIT is imposed on estates and trusts to the extent they have undistributed NII. In order to arrive at the estate's or trust's undistributed NII, the estate's or trust's NII is reduced for (1) distributions of NII to beneficiaries, and (2) NII allocable to charities when the estate or trust is allowed a deduction under section 642(c). The instructions for Form 8960, line 18b, provide more information on the calculation of undistributed NII.

NII allocable to the deduction under section 642(c). An estate's, trust's, or pooled income fund's NII is reduced by the amount of NII allocable to the charitable deduction allowed under section 642(c). In the case of an estate, trust, or pooled income fund that has NII and non-NII income in a year when a section 642(c) deduction is

claimed, the amount of the NII deduction allocable to the section 642(c) deduction will be less than the amount reported on Form 1041, Schedule A, line 7 (or on the separate calculation in the case of a pooled income fund).

Beneficiary reporting. In general, the amount of the income distribution deduction (from Form 1041, Schedule B, line 15) that reduces the estate's or trust's NII will be the amount of NII that will be taxable to the beneficiaries on their Schedules K-1 (Form 1041).

The Schedule K-1 has code H in box 14 to report the amount of NII distributed to the beneficiary. The amount reported in code H represents an adjustment (either positive or negative) that the beneficiary must use in completing its Form 8960 (if necessary). In the case where the trust's income distribution deduction allowed in calculating undistributed NII is less than the amount on Schedule B,

line 15, then code H will show a negative number that is the difference between the two amounts. In the case of an estate or trust that issues more than one Schedule K-1 for a year, the sum of the amounts reported in code H on all of the Schedules K-1 will be the difference between Schedule B, line 15, and the amount deducted on Form 8960, line 18b, for amounts of NII distributed to a beneficiary.



The beneficiary's NII will equal all taxable amounts reported on the Schedule K-1, adjusted by the amount reported in box 14, code H.



The only instance where code H will be a positive number is when:

- *The estate or trust owns directly, or indirectly, an (a) interest in a section 1291 fund, or (b) interest in a controlled foreign corporation or qualified electing fund and no election under Regulations*

section 1.1411-10(g) has been made with respect to that interest; and

- *The distribution from one of the entities described above is (a) NII to the estate or trust, but not included in its taxable income; and (b) the distributions from the estate or trust to the beneficiary(ies) in the year exceed the amount of the income distribution deduction allowed for regular tax purposes (from Schedule B, line 15).*

Special rules. In the final year of an estate or trust, deductions in excess of income may be reported to the beneficiary in box 11 of Schedule K-1. These deductions may also be deductible by the beneficiary for NIIT purposes. In this situation, the terminating estate or trust should provide the beneficiary information regarding whether the amounts reported in box 11, codes A through E, include any amounts that are deductible for NIIT purposes. See Regulations section 1.1411-4(g)(4).

Other Information

Question 1

If the estate or trust received tax-exempt income, figure the allocation of expenses between tax-exempt and taxable income on a separate sheet and attach it to the return. Enter only the deductible amounts on the return. Don't figure the allocation on the return itself. For more information, see *Allocation of Deductions for Tax-Exempt Income*, earlier.

Report the amount of tax-exempt interest income received or accrued in the space provided below Question 1.

Also, include any exempt-interest dividends the estate or trust received as a shareholder in a mutual fund or other regulated investment company (RIC).

Question 2

All salaries, wages, and other compensation for personal services must be included on the return of the person who earned the income, even if the income was irrevocably assigned to a trust by a contract assignment or similar arrangement.

The grantor or person creating the trust is considered the owner if they keep “beneficial enjoyment” of or substantial control over the trust property. The trust's income, deductions, and credits are allocable to the owner.

If you checked “Yes” for Question 2, see *Special Reporting Instructions*, earlier.

Question 3

Check the “Yes” box and enter the name of the foreign country if either (1) or (2) below applies.

1. The estate or trust owns more than 50% of the stock in any corporation that owns one or more foreign bank accounts.
2. At any time during the year, the estate or trust had an interest in or signature or other authority over a bank, securities, or other financial account in a foreign country.

Exception. Check “No” if either of the following applies to the estate or trust.

- The combined value of the accounts was \$10,000 or less during the whole year.
- The accounts were with a U.S. military banking facility operated by a U.S. financial institution.

If you checked “Yes” for Question 3,
electronically file

FinCEN Form 114, Report of Foreign Bank and
Financial

Accounts (FBAR), with the Department of the Treasury using FinCEN's BSA E-Filing System. Because FinCEN Form 114 isn't a tax form, don't file it with Form 1041. Go to [FinCEN.gov](https://www.fincen.gov) for more information.



If you are required to file FinCEN Form 114 but don't, you may have to pay a penalty of up to \$10,000 (or more in some cases).

Question 4

The estate or trust may be required to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts, if:

- It directly or indirectly transferred property or money to a foreign trust—for this purpose, any U.S. person who created a foreign trust is considered a transferor;
- It is treated as the owner of any part of the assets of a foreign trust under the grantor trust rules; or

- It received a distribution from a foreign trust.



An owner of a foreign trust must ensure that the trust files an annual information return on Form 3520-A.

Question 5

An estate or trust claiming an interest deduction for qualified residence interest (as defined in section 163(h)(3)) on seller-provided financing must include on an attachment to the 2023 Form 1041 the name, address, and TIN of the person to whom the interest was paid or accrued (that is, the seller).

If the estate or trust received or accrued such interest, it must provide identical information on the person liable for such interest (that is, the buyer). This information doesn't need to be reported if it duplicates information already reported on Form 1098.

Question 6

To make the section 663(b) election to treat any amount paid or credited to a beneficiary within 65 days following the close of the tax year as being paid or credited on the last day of that tax year, check the box. This election can be made by the fiduciary of a complex trust or the executor of a decedent's estate. For the election to be valid, you must file Form 1041 by the due date (including extensions). Once made, the election is irrevocable.

Question 7

To make the section 643(e)(3) election to recognize gain on property distributed in kind, check the box and see the Instructions for Schedule D (Form 1041).

Question 9

Generally, a beneficiary is a skip person if the beneficiary is in a generation that is 2 or

more generations below the generation of the transferor to the trust.

To determine if a beneficiary that is a trust is a skip person, and for exceptions to the general rules, see the definition of a skip person in the instructions for Schedule R of Form 706.

Question 10

A domestic trust that is a specified domestic entity must file Form 8938 along with Form 1041 for the tax year. Form 8938 must be filed each year the value of the trust's specified foreign financial assets meets or exceeds the reporting threshold. A trust exceeds the threshold amount if the total value of the specified foreign financial assets is more than \$50,000 on the last day of the tax year or more than \$75,000 at any time during the tax year. For more information on domestic trusts that are specified domestic entities, the filing threshold, and the types of

foreign financial assets that must be reported, see the Instructions for Form 8938.

A domestic trust that is required to file Form 8938 along with Form 1041 for the tax year must check “Yes” to Question 10.

Question 11a

A distribution of S corporation stock by an estate or trust that results in a change of ownership for federal income tax purposes is a triggering event described in Regulations section 1.965-7(c)(3). If the estate or trust transfers less than all of its shares of stock of the S corporation, the transfer will be a triggering event only with respect to the portion of the estate’s or trust’s section 965(i) net tax liability that is properly allocable to the transferred shares. If the person who received the distribution of S corporation stock is an eligible section 965(i) transferee, the estate or trust may enter into a transfer agreement with the eligible section 965(i) transferee to prevent the assessment of the

estate's or trust's section 965(i) net tax liability in the tax year that includes the triggering event.

The estate or trust must report in Part IV, column (g), of Form 965-A the transfer out of the section 965 tax liability properly allocable to S corporation shares for which the estate or trust entered into a transfer agreement with an eligible section 965(i) transferee. See the Instructions for Form 965-A for additional information.



The transfer agreement must be filed within 30 days of the triggering event. See Form 965-D, Transfer Agreement Under Section 965(i)(2), and the related instructions for additional information.

Question 11b

If the estate or trust distributed S corporation shares and the estate or trust did not enter into a timely transfer agreement for all shares transferred during the tax year, the transfer

of shares not covered by a transfer agreement is a triggering event. See *Triggering event under section 965(i)*, earlier.

The estate or trust may file a consent agreement under section 965(i)(4)(D) to make the election under section 965(h) to pay in installments the triggered section 965(i) net tax liability. See Form 965-E, Consent Agreement Under Section 965(i)(4)(D), and the related instructions for how to file the consent agreement. See *Triggered deferred S corporation-related net 965 tax liability* under *Part I* in the Instructions for Form 965-A for how to make the installment election.



The due date of the original Form 965-E is within 30 days of the triggering event.



The due date of the election to pay in installments is the due date of the return for the tax year, including extensions. The actual payment of the first

installment is due no later than the due date of the return for the tax year without extensions, even if the election is made on a return filed by the extended due date.

Question 12

Check the "Yes" box if the estate or trust entered into a transfer agreement as an eligible 965(i) transferee.

If, during the tax year, the estate or trust entered into a transfer agreement as an eligible 965(i) transferee, the estate or trust must report the transfer in of that liability on Part IV of Form 965-A. See the Instructions for Form 965-A for additional information.

Question 13

Digital assets are any digital representations of value that are recorded on a cryptographically secured distributed ledger or any similar technology. For example, digital assets include non-fungible tokens (NFTs) and virtual currencies, such as

cryptocurrencies and stablecoins. If a particular asset has the characteristics of a digital asset, it will be treated as a digital asset for federal income tax purposes.

Check the “Yes” box next to the question on digital assets if at any time during 2023, you (a) received (as a reward, award, or payment for property or services); or (b) sold, exchanged, or otherwise disposed of a digital asset (or any financial interest in any digital asset). For example, check “Yes” if at any time during 2023 you:

- Received digital assets as payment for property or services provided;
- Received digital assets as a result of a reward or award;
- Received new digital assets as a result of mining, staking, and similar activities;
- Received digital assets as a result of a hard fork;

- Disposed of digital assets in exchange for property or services;
- Disposed of a digital asset in exchange or trade for another digital asset;
- Sold a digital asset; or
- Otherwise disposed of any other financial interest in a digital asset.

You have a financial interest in a digital asset if you are the owner of record of a digital asset, or have an ownership stake in an account that holds one or more digital assets, including the rights and obligations to acquire a financial interest, or you own a wallet that holds digital assets.

The following actions or transactions in 2023, alone, generally don't require you to check "Yes":

- Holding a digital asset in a wallet or account;

- Transferring a digital asset from one wallet or account you own or control to another wallet or account that you own or control; or
- Purchasing digital assets using U.S. or other real currency, including through the use of electronic platforms such as PayPal and Venmo.

Do not leave the question unanswered. You must answer “Yes” or “No” checking the appropriate box. For more information, go to [IRS.gov/VirtualCurrencyFAQs](https://www.irs.gov/VirtualCurrencyFAQs).

How to report digital asset transactions.

If, in 2023, you disposed of any digital asset, which you held as a capital asset, through a sale, trade, exchange, payment, or other transfer, check “Yes” and use Form 8949 to calculate your capital gain or loss and report that gain or loss on Schedule D (Form 1041).

If you received any digital asset as compensation for services or disposed of any digital asset that you held for sale to customers in a trade or business, you must report the income as you would report other income of the same type.

Question 14

If the deemed owner of a grantor portion of the ESBT is a nonresident alien, the items of income, deduction, and credit from that grantor portion must be reallocated to the S portion.

See Schedule G, Part I, line 4, Tax on the ESBT Portion of the Trust, earlier, for how to figure the tax on the S portion of the trust.