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Almost every form and publication also has its own easily accessible information page on IRS.gov. For example, the Form 1040 page is at IRS.gov/form1040; the Form W-2 page is at IRS.gov/w2; the Publication 17 page is at IRS.gov/pub17; the Form W-4 page is at IRS.gov/w4; the Form 8863 page is at IRS.gov/form8863; and the Schedule A (Form 1040) page is at IRS.gov/schedulea. If typing in the links above instead of clicking on them: type the link into the address bar of your browser, not in a Search box; the text after the slash must be lowercase; and your browser may require the link to begin with “www.”. Note that these are shortcut links that will automatically go to the actual link for the page.

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2016

Department of the Treasury
Internal Revenue Service

Instructions for Schedule D (Form 1041)

Capital Gains and Losses

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Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Schedule D and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/form1041*.

What's New

Form 8971. Form 8971, Information Regarding Beneficiaries Acquiring Property From a Decedent, along with Schedule A, is used to comply with the filing requirements regarding consistent basis reporting between an estate and a person acquiring property from an estate.

For more information, see *Consistent basis reporting between estate and person acquiring property from a decedent*, below.

Capital gains and qualified dividends. For tax year 2016, the 20% maximum capital gain rate applies to estates and trusts with income above $12,400. The 0% and 15% rates continue to apply to certain threshold amounts. The 0% rate applies up to $2,550. The 15% rate applies to amounts over $2,550 and up to $12,400.

Reminders

Consistent basis reporting between estate and person acquiring property from a decedent. Section 2004 of Public Law 114–41 has two major requirements.

1. An executor of an estate (or other person) required to file an estate tax return after July 31, 2015, must provide a Form 8971 with attached Schedules A to the IRS, and a copy of the beneficiary's Schedule A to that beneficiary who receives or is to receive property from the estate. The statement must show the final estate tax value of the property. An executor (or other person) who files an estate tax return only to make an election regarding the generation-skipping transfer tax or portability of the deceased spousal unused exclusion (DSUE) may not be required to provide statements.

2. If the property increases the estate tax liability, the beneficiary must use a basis consistent with the final estate tax value of the property to determine the beneficiary's basis in that property. Calculate a basis consistent with the final estate tax value by starting with the reported value and then making any allowed adjustments.

Notice 2016–27, 2016–15 I.R.B. 576, available at *www.irs.gov/irb/2016–15_IRB/ar09.html*, delayed the due date for providing the statements in (1) above until June 30, 2016. For more information, see the *Instructions for Form 8971 and Schedule A* and *Column (e)—Cost or Other Basis* in the *Instructions for Form 8949*.

100% exclusion of gain on qualified small business (QSB) stock. You can exclude up to 100% of the gain on QSB stock that you acquired after September 27, 2010, and held for more than 5 years.

Form 1041 E-filing. When e-filing Form 1041, use either Form 8453-FE, U.S. Estate or Trust Declaration for an IRS e-File Return, or Form 8879-F, IRS *e-file* Signature Authorization for Form 1041. If Form 1041 is e-filed, then any Schedule D (Form 1041) and Form 8949 that are part of the return must also be e-filed.

General Instructions

Any reference in these instructions to "you" means the fiduciary of the estate or trust.

Purpose of Schedule

These instructions explain how to complete Schedule D (Form 1041). Complete Form 8949 before you complete line 1b, 2, 3, 8b, 9, or 10 of Schedule D.

Use Schedule D to report the following.

- The overall capital gains and losses from transactions reported on Form 8949.
- Certain transactions that the estate or trust doesn't have to report on Form 8949.
- Gain from Part I of Form 4797, Sales of Business Property.
- Capital gain or loss from Form 4684, Casualties and Thefts.
- Capital gain from Form 6252, Installment Sale Income.
- Capital gain or loss from Form 6781, Gains and Losses From Section 1256 Contracts and Straddles.
- Capital gain or loss from Form 8824, Like-Kind Exchanges.
- Undistributed long-term capital gains from Form 2439.
- Capital gain or loss from partnerships, S corporations, or other estates or trusts.
- A capital loss carryover from 2015 to 2016.

For more information, see Pub. 544, Sales and Other Dispositions of Assets, and the Instructions for Form 8949.

Other Forms You May Have To File

Use Form 8949 to report the sale or exchange of a capital asset (defined later) not reported on another form or schedule. See Lines 1a and 8a , later, for more information about when Form 8949 is and isn't needed.

Use Form 4797 to report the following.

1. The sale or exchange of:

a. Real property used in a trade or business;

b. Depreciable and amortizable tangible property used in a trade or business (but see *Disposition of Depreciable Property Not Used in Trade or Business* in the Instructions for Form 4797);

c. Oil, gas, geothermal, or other mineral property; and

d. Section 126 property.

2. The involuntary conversion (other than from casualty or theft) of property used in a trade or business and capital assets held more than 1 year for business or profit. But see *Disposition of Depreciable Property Not Used in Trade*

or Business in the Instructions for Form 4797.

3. The disposition of noncapital assets other than inventory or property held primarily for sale to customers in the ordinary course of a trade or business.

4. Ordinary loss on the sale, exchange, or worthlessness of small business investment company (section 1242) stock.

5. Ordinary loss on the sale, exchange, or worthlessness of small business (section 1244) stock.

Use Form 4684 to report involuntary conversions of property due to casualty or theft.

Use Form 6781 to report gains and losses from section 1256 contracts and straddles.

Use Form 8824 if the estate or trust made one or more like-kind exchanges. A like-kind exchange occurs when the estate or trust exchanges business or investment property for property of a like kind.

Use Form 8971 (including Schedule(s) A) to report basis between an estate and a person acquiring property from a decedent.

Special Rules for Determining Basis of Estate and Trust Property

Basis of trust property. Generally, the basis of property acquired by gift is the same as its basis in the hands of the donor. However, if the FMV of the property at the time it was transferred to the trust is less than the transferor's basis, then the FMV is used to determine any loss upon disposition.

If the property was transferred to the trust after 1976, and a gift tax was paid under Chapter 12, then increase the donor's basis as follows:

Multiply the amount of the gift tax paid by a fraction, the numerator of which is the net appreciation in value of the gift (defined below), and the denominator of which is the amount of the gift. For this purpose, the net appreciation in value of the gift is the amount by which the FMV of the gift exceeds the donor's adjusted basis.

Basis of decedent's estate property. Generally, the basis of property acquired by a decedent's estate is the FMV of the property at the date of the decedent's death, or the alternate valuation date if the executor elected to use an alternate valuation under section 2032.

See Pub. 551 and the Instructions for Form 706 for a discussion of the valuation of qualified real property under section 2032A.

Basis of property acquired from a decedent who died in 2010. See Pub. 4895, Tax Treatment of Property Acquired From a Decedent Dying in 2010, for details about determining the basis of property acquired from a decedent who died in 2010.

Basis of assets held on January 1, 2001, where an election to recognize gain was made. If you elected on behalf of an estate or trust to recognize gain on an asset held on January 1, 2001, the basis in the asset is its closing market price or FMV, whichever applies, on the date of the deemed sale and reacquisition, whether the deemed sale resulted in a gain or an unallowed loss.

Carryover basis. Carryover basis determined under repealed section 1023 applies to property acquired from a decedent who died after December 31, 1976, and before November 7, 1978, only if the executor made a timely filed election on Form 5970-A, Election of Carryover Basis.

Capital Asset

Each item of property held by the estate or trust (whether or not connected with a trade or business) is a capital asset, except the following:

- Stock in trade, inventory or property held primarily for sale to customers.
- Depreciable or real property used in a trade or business, even if it's fully depreciated.
- Copyrights; literary, musical, or artistic compositions; letters or memoranda; or similar property eligible for copyright protection that the trust received from someone whose personal efforts created them or for whom they were created in a way (such as by gift) that entitled the trust to the basis of the previous owner. In the case of letters, memoranda, or similar property, such property may also be prepared or produced for the trust.

Note. Under section 1221(b)(3), the trust can elect to treat musical compositions and copyrights in musical works as capital assets if it acquired the assets under circumstances entitling it to the basis of the person who created the property or for whom it was prepared or produced.

- Accounts or notes receivable acquired in the ordinary course of a trade or business for services rendered or from the sale of inventoriable assets or property held primarily for sale to customers.
- Certain U.S. Government publications not purchased at the public sale price.
- Certain "commodities derivative financial instruments" held by a dealer (see section 1221(a)(6)).
- Certain hedging transactions entered into in the normal course of a trade or business (see section 1221(a)(7)).
- Supplies regularly used in a trade or business.

You may find additional helpful information in the following publications.

- Pub. 544, Sales and Other Dispositions of Assets.
- Pub. 551, Basis of Assets.

Short-Term or Long-Term

Separate the capital gains and losses according to how long the estate or trust held or owned the property. The holding period for short-term capital gains and losses is 1 year or less. The holding period for long-term capital gains and losses is more than 1 year. Property acquired from a decedent is treated as held for more than 1 year.

Note. Long-term treatment may not apply to property acquired from a decedent who died in 2010 where the estate elected the use of carryover basis if the property was held less than 1 year. See Pub. 4895 for details.

To figure the length of the period the estate or trust held property, begin counting on the day after the estate or trust acquired the property and include the day it was disposed. Use the trade dates for the dates of acquisition and sale of stocks and bonds traded on an exchange or over-the-counter market.

Section 643(e)(3) Election

For in-kind noncash property distributions, a fiduciary may elect to have the estate or trust recognize gain or loss in the same manner as if the distributed property had been sold to the beneficiary at its fair market value (FMV). The distribution deduction is the property's FMV. This election applies to all distributions made by the estate or trust during the tax year. Once the election is made, it may only be revoked with IRS consent.

Note. Section 267 doesn't allow a trust or a decedent's estate to claim a deduction for any loss on property to which a section 643(e)(3) election applies. In addition, when a trust or a decedent's estate distributes

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depreciable property, section 1239 applies to deny capital gains treatment for any gain on property to which a section 643(e)(3) election applies.

Related Persons

A trust can't deduct a loss from the sale or exchange of property directly or indirectly between any of the following:

- A grantor and a fiduciary of a trust,
- A fiduciary of a trust and a fiduciary (or beneficiary) of another trust created by the same grantor,
- A fiduciary and a beneficiary of the same trust,
- A trust fiduciary and a corporation of which more than 50% in value of the outstanding stock is owned directly or indirectly by or for the trust or by or for the grantor of the trust, or
- An executor of an estate and a beneficiary of that estate, except when the sale or exchange is to satisfy a pecuniary bequest (that is, a bequest of a sum of money).

Items for Special Treatment

- Bonds and other debt instruments. See Pub. 550, Investment Income and Expenses.
- Gain on the disposition of a market discount bond. In general, the gain is recharacterized as interest income to the extent of accrued market discount as of the date of disposition. See sections 1276 through 1278 and Pub. 550 for more information on market discount. See the Instructions for Form 8949 for detailed information about how to report the disposition of a market discount bond.
- Gain or loss recognized on the disposition of a contingent payment debt instrument subject to the noncontingent bond method. The gain is treated as interest income rather than as capital gain. In certain situations, all or a portion of a loss recognized on the disposition of a contingent payment debt instrument subject to the noncontingent bond method may be treated as an ordinary loss rather than as a capital loss. See Regulations section 1.1275-4(b) and Pub. 550 for more information on contingent payment debt instruments subject to the noncontingent bond method.
- A nonbusiness bad debt must be treated as a short-term capital loss and can be deducted only in the year the debt becomes totally worthless. See Pub. 550 for details.
- Wash sales of stock or securities (including contracts or options to acquire or sell stock or securities) (section 1091).
- Gain or loss on options to buy or sell. See Pub. 550.
- Certain real estate subdivided for sale that may be considered a capital asset (section 1237).
- Gain on disposition of stock in domestic international sales corporations (DISC) (section 995(c)).
- Gain on the sale or exchange of stock in certain foreign corporations (section 1248).
- Sales of stock received under a qualified public utility dividend reinvestment plan. See Pub. 550 for details.
- Transfer of appreciated property to a political organization (section 84).
- Amounts received by shareholders in corporate liquidations. See Pub. 550.
- Cash received in lieu of fractional shares of stock as a result of a stock split or stock dividend. See Pub. 550.
- Load charges to acquire stock in a regulated investment company (including a mutual fund), which may not be taken into account in determining gain or loss on certain dispositions of the stock if reinvestment rights were exercised. See Pub. 550.
- The sale or exchange of S corporation stock or an interest in a trust held for more than 1 year, which may result in collectibles gain (28% rate gain). See the instructions for line 18c.
- The sale or other disposition of a partnership interest may result in ordinary income, collectibles gain, or unrecaptured section 1250 gain.
- Gain or loss on the disposition of securities futures contracts. See Pub. 550.
- Gains from certain constructive ownership transactions. Gain in excess of the gain the estate or trust would have recognized if the estate or trust held a financial asset directly during the term of a derivative contract must be treated as ordinary income. See section 1260 for details.
- If qualified dividends include extraordinary dividends, any loss on the sale or exchange of the stock is a long-term capital loss to the extent of the extraordinary dividends. An extraordinary dividend is a dividend that is at least 10% (5% in the case of preferred stock) of the basis in the stock.
- Certain virtual currencies. See Notice 2014-21, 2014-16 I.R.B 938.
- NAV method for money market funds. Report capital gain or loss determined under the net asset value (NAV) method with respect to shares in a money market fund on Form 8949, Part I, with box C checked. Enter the name of each fund followed by "(NAV)" in column (a). Enter the net gain or loss in column (h). Leave all other columns blank. See the Instructions for Form 8949.

Constructive Sales Treatment for Certain Appreciated Positions

Generally, the estate or trust must recognize gain (but not loss) on the date it enters into a constructive sale of any appreciated position in stock, a partnership interest, or certain debt instruments as if the position were disposed of at FMV on that date.

The estate or trust is treated as making a constructive sale of an appreciated position when it (or a related person, in some cases) does one of the following:

- Enters into a short sale of the same or substantially identical property (that is, a "short sale against the box"),
- Enters into an offsetting notional principal contract relating to the same or substantially identical property,
- Enters into a futures or forward contract to deliver the same or substantially identical property, or
- Acquires the same or substantially identical property (if the appreciated position is a short sale, offsetting notional principal contract, or a futures or forward contract).

Exception. Generally, constructive sale treatment doesn't apply if:

- The estate or trust closed the transaction before the end of the 30th day after the end of the year in which it was entered into,
- The estate or trust held the appreciated position to which the transaction relates throughout the 60-day period starting on the date the transaction was closed, and
- At no time during that 60-day period was the estate's or trust's risk of loss reduced by holding certain other positions.

For details and other exceptions to these rules, see Pub. 550.

Exclusion of Gain on Qualified Small Business (QSB) Stock (Section 1202)

Section 1202 provides for an exclusion of 50% of the eligible gain on the sale or exchange of QSB stock. This exclusion can be up to 60% for certain empowerment zone business stock. The exclusion is increased to 75% on the sale or exchange of QSB stock acquired after February 17, 2009, and before September 28, 2010. The exclusion is increased to 100% on the

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sale of QSB stock acquired after September 27, 2010. The section 1202 exclusion applies only to QSB stock held for more than 5 years.

To be QSB stock, the stock must meet all of the following tests:

1. It must be stock in a C corporation (that is, not S corporation stock).

2. It must have been originally issued after August 10, 1993.

3. As of the date the stock was issued, the corporation was a QSB. A QSB is a domestic C corporation with total gross assets of $50 million or less (a) at all times after August 9, 1993, and before the stock was issued, and (b) immediately after the stock was issued. Gross assets include those of any predecessor of the corporation. All corporations that are members of the same parent-subsidiary controlled group are treated as one corporation.

4. The estate or trust acquired the stock at its original issue (either directly or through an underwriter), either in exchange for money or other property or as pay for services (other than as an underwriter) to the corporation. In certain cases, the estate or trust may meet the test if it acquired the stock from another person who met this test (such as by gift or inheritance) or through a conversion or exchange of QSB stock the estate or trust held.

5. During substantially all the time the estate or trust held the stock:

a. The corporation was a C corporation,

b. At least 80% of the value of the corporation's assets was used in the active conduct of one or more qualified businesses (defined below), and

c. The corporation wasn't a foreign corporation, DISC, former DISC, corporation that has made (or that has a subsidiary that has made) a section 936 election, regulated investment company, real estate investment trust, REMIC, FASIT, or cooperative.

Note. A specialized small business investment company (SSBIC) is treated as having met test 5b above.

Qualified business. A qualified business is any business other than the following:

- One involving services performed in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, or brokerage services;
- One whose principal asset is the reputation or skill of one or more employees;
- Any banking, insurance, financing, leasing, investing, or similar business;
- Any farming business (including the raising or harvesting of trees);
- Any business involving the production of products for which percentage depletion can be claimed; or
- Any business of operating a hotel, motel, restaurant, or similar business.

For more details about limits and additional requirements that may apply, see Pub. 550 or section 1202.

Acquisition date of stock acquired after February 17, 2009. When determining whether the exclusion is limited to 50%, 75%, or 100% of the gain from the QSB stock, the acquisition date is considered to be the first day the stock is held (determined after applying the holding period rules in section 1223).

Empowerment zone business stock. Generally, the estate or trust can exclude up to 60% of its gain on certain QSB stock if it meets the following additional requirements.

1. The stock sold or exchanged was stock in a corporation that qualified as an empowerment zone business during substantially all of the time the estate or trust held the stock.

2. The estate or trust acquired the stock after December 21, 2000, and before February 18, 2009.

Requirement 1 will still be met if the corporation ceased to qualify after the 5-year period that began on the date the estate or trust acquired the stock. However, the gain that qualifies for the 60% exclusion can't be more than the gain the estate or trust would have had if it had sold the stock on the date the corporation ceased to qualify.

See section 1397C for more details.

Stock acquired after February 17, 2009. The estate or trust can exclude up to 75% of the gain if it acquired the stock after February 17, 2009, and before September 28, 2010.

The estate or trust can exclude up to 100% of the gain if it acquired the stock after September 27, 2010.

Pass-through entities. If the estate or trust held an interest in a pass-through entity (a partnership, S corporation, mutual fund, or other regulated investment company) that sold QSB stock, the estate or trust generally must have held the interest on the date the pass-through entity acquired the QSB stock and at all times thereafter until the stock was sold to qualify for the exclusion.

How to report. Report the sale or exchange of the QSB stock on Form 8949, Part II, with the appropriate box checked, as you would if you weren't taking the exclusion. Enter “Q” in column (f) and enter the amount of the excluded gain as a negative number in column (g). Put it in parentheses to show it is negative. See the Instructions for Form 8949, columns (f), (g), and (h). Complete all remaining columns. If you are completing line 18c of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the *28% Rate Gain Worksheet*; if you excluded 60% of the gain, enter ⅔ of the exclusion; if you excluded 75% of the gain, enter ⅓ of the exclusion; if you excluded 100% of the gain, don't enter an amount.

Gain from Form 1099-DIV. If the estate or trust received a Form 1099-DIV, Dividends and Distributions, with a gain in box 2c, part or all of that gain (which is also included in box 2a) may be eligible for the section 1202 exclusion. Report the total gain (box 2a) on Schedule D, line 13. In column (a) of Form 8949, Part II, enter the name of the corporation whose stock was sold. In column (f), enter “Q” and in column (g) enter the amount of the excluded gain as a negative number. See the Instructions for Form 8949, columns (f), (g), and (h). If you are completing line 18c of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the *28% Rate Gain Worksheet*; if you excluded 60% of the gain, enter ⅔ of the exclusion; if you excluded 75% of the gain, enter ⅓ of the exclusion; if you excluded 100% of the gain, don't enter an amount.

Gain from Form 2439. If the estate or trust received a Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains, with a gain in box 1c, part or all of that gain (which is also included in box 1a) may be eligible for the section 1202 exclusion. Report the total gain (box 1a) on schedule D, line 11. In column (a) of Form 8949, Part II, enter the name of the corporation whose stock was sold. In column (f), enter “Q” and in column (g) enter the amount of the excluded gain as a negative number. See the Instructions for Form 8949, columns (f), (g), and (h). If you are completing line 18c of Schedule D, enter as a positive number

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the amount of your allowable exclusion on line 2 of the *28% Rate Gain Worksheet*; if you excluded 60% of the gain, enter ⅔ of the exclusion; if you excluded 75% of the gain, enter ⅓ of the exclusion; if you excluded 100% of the gain, don't enter an amount.

Gain from an installment sale of QSB stock. If all payments aren't received in the year of sale, a sale of QSB stock that isn't traded on an established securities market generally is treated as an installment sale and is reported on Form 6252. Part or all of any gain from the sale that is reported on Form 6252 for the current year may be eligible for the section 1202 exclusion. Report the long-term gain from Form 6252 on Schedule D, line 11. In column (a) of Form 8949, Part II, enter the name of the corporation whose stock was sold. In column (f), enter "Q" and in column (g) enter the amount of the allowable exclusion as a negative number. See the Instructions for Form 8949, columns (f), (g), and (h). If you are completing line 18c of Schedule D, enter as a positive number the amount of your allowable exclusion for the year on line 2 of the *28% Rate Gain Worksheet*; if you excluded 60% of the gain, enter ⅔ of the exclusion: if you excluded 75% of the gain, enter ⅓ of the exclusion: if you excluded 100% of the gain, don't enter an amount.

Alternative minimum tax. Enter 7% of the estate's or trust's allowable exclusion for the year on line 9 of Schedule I (Form 1041). However, if the estate or trust qualifies for the 100% exclusion, leave line 9 of Schedule I (Form 1041) blank.

Rollover of gain from QSB stock. If the estate or trust held QSB stock (as defined earlier) for more than 6 months, it may elect to postpone gain if it purchased other QSB stock during the 60-day period that began on the date of the sale.

The estate or trust must recognize gain to the extent the sale proceeds exceed the cost of the replacement stock. Reduce the basis of the replacement stock by any postponed gain.

The estate or trust must make the election no later than the due date (including extensions) for filing Form 1041 for the tax year in which the stock was sold. If the original Form 1041 was filed on time, the election may be made on an amended return filed no later than 6 months after the due date of the original return (excluding extensions). Write "Filed pursuant to section 301.9100-2" at the top of the amended return, and file it at the same address used for the original Form 1041.

How to report. To make the election, report the sale on Part I or Part II of Form 8949 (depending on how long the estate or trust owned the stock), as it would be reported if the election wasn't made. Then enter "R" in column (f) and the amount of the postponed gain from the section 1045 rollover as a negative number in column (g). Put it in parentheses to show it is negative. Complete all remaining columns. See the Instructions for Form 8949, columns (f), (g), and (h).

Rollover of gain from empowerment zone assets. If the estate or trust sold a qualified empowerment zone asset that the estate or trust held for more than 1 year, it may be able to elect to postpone part or all of the gain that it would otherwise include in income. If the election is made, the gain on the sale generally is recognized only to the extent, if any, that the amount realized on the sale exceeds the cost of qualified empowerment zone assets (replacement property) the estate or trust purchased during the 60-day period beginning on the date of the sale.

See sections 1397B and 1397C for the definition of empowerment zone and enterprise zone business and for details regarding the rules that apply to this election.

How to report. Report the sale on Part II of Form 8949 as the estate or trust would if it weren't making the election. Enter "R" in column (f). Enter the amount of the postponed gain as a negative number in column (g). Put it in parentheses to show it is negative. See the Instructions for Form 8949, columns (f), (g), and (h). Complete all remaining columns.

Exclusion of gain from DC Zone assets or qualified community assets. If the estate or trust sold or exchanged a District of Columbia Enterprise Zone asset or a qualified community asset that it held for more than 5 years, it may be able to exclude the amount of qualified capital gain that it would otherwise include in income. The exclusion of gain from DC Zone assets applies to an interest in, or property of, certain businesses operating in the District of Columbia. See section 1400B for more details on this exclusion. The exclusion of gain from qualified community assets applies to an interest in, or property of, certain renewal community businesses. See section 1400F for more details on this exclusion.

How to report. Report the sale or exchange of a "DC Zone asset" or "qualified community asset" on Form 8949, Part II, with the appropriate box checked, as it would be reported if the exclusion wasn't taken. Enter "X" in column (f) and the amount of the allowable exclusion as a negative number in column (g). Put it in parentheses to show it is negative. Complete all remaining columns. See the Instructions for Form 8949, columns (f), (g), and (h).

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Specific Instructions

The instructions below assume the estate or trust is a cash basis calendar year taxpayer.

Rounding Off Whole Dollars

You can round off cents to whole dollars on your Schedule D (Form 1041). If you do round to whole dollars, you must round all amounts. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, $1.39 becomes $1 and $2.50 becomes $3.

If you have to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Lines 1a and 8a—Transactions Not Reported on Form 8949

The estate or trust can report on line 1a (for short-term transactions) or line 8a (for long-term transactions) the aggregate totals from any transactions (except sales of collectibles) for which:

- The estate or trust received a Form 1099-B (or substitute statement) that shows basis was reported to the IRS and doesn't show any adjustments in boxes 1f or 1g,
- The ordinary check box in box 2 is not checked, and
- The estate or trust doesn't need to make any adjustments to the basis or type of gain or loss (short term or long term) reported on Form 1099-B (or substitute statement), or to its gain or loss.

See *How To Complete Form 8949, Columns (f) and (g)*, in the Form 8949 instructions for details about possible adjustments to your gain or loss.

If the estate or trust chooses to report these transactions on lines 1a and 8a, don't report them on Form 8949. You

don't need to attach a statement to explain the entries on lines 1a and 8a.

Figure gain or loss on each line. First, subtract the cost or other basis in column (e) from the proceeds (sales price) in column (d). Enter the gain or loss in column (h). Enter negative amounts in parentheses.

Example 1 – basis reported to the IRS. The estate or trust received a Form 1099-B reporting the sale of stock held for 3 years. It shows proceeds (in box 1d) of $6,000 and cost or other basis (in box 1e) of $2,000. Box 3 is checked, meaning that basis was reported to the IRS. The estate or trust doesn't need to make any adjustments to the amounts reported on Form 1099-B or enter any codes. This was the estate or trust's only 2016 transaction. Instead of reporting this transaction on Form 8949, the estate or trust can enter $6,000 on Schedule D, line 8a, column (d), $2,000 in column (e), and $4,000 ($6,000 – $2,000) in column (h).

If you had a second transaction that was the same except that the proceeds were $5,000 and the basis was $3,000, combine the two transactions. Enter $11,000 ($6,000 + $5,000) on Schedule D, line 8a, column (d); $5,000 ($2,000 + $3,000) in column (e); and $6,000 ($11,000 – $5,000) in column (h).

Example 2 – basis not reported to the IRS. The estate or trust received a Form 1099-B showing proceeds (in box 1d) of $6,000 and cost or other basis (in box 1e) of $2,000. Box 3 isn't checked, meaning that basis wasn't reported to the IRS. Don't report this transaction on line 1a or line 8a. Instead, report the transaction on Form 8949. Complete all necessary pages of Form 8949 before completing line 1b, 2, 3, 8b, 9, or 10 of Schedule D (Form 1041).

Example 3 – adjustment. The estate or trust received a Form 1099-B showing proceeds (in box 1d) of $6,000 and cost or other basis (in box 1e) of $2,000. Box 3 is checked, meaning that basis was reported to the IRS. However, the basis shown in box 1e is incorrect. Don't report this transaction on line 1a or line 8a. Instead, report the transaction on Form 8949. See the Instructions for Form 8949, columns (f), (g), and (h). Complete all necessary pages of Form 8949 before completing line 1b, 2, 3, 8b, 9, or 10 of Schedule D (Form 1041).

Lines 1b, 2, 3, 8b, 9, and 10, Column (h)—Transactions Reported on Form 8949

Figure gain or loss on each line. First, subtract the cost or other basis in column (e) from the proceeds (sales price) in column (d). Then combine the result with any adjustments in column (g). Enter the gain or loss in column (h). Enter negative amounts in parentheses.

Example 1 – gain. Column (d) is $6,000 and column (e) is $2,000. Enter $4,000 in column (h).

Example 2 – loss. Column (d) is $6,000 and column (e) is $8,000. Enter ($2,000) in column (h).

Example 3 – adjustment. Column (d) is $6,000, column (e) is $2,000, and column (g) is ($1,000). Enter $3,000 ($6,000 – $2,000 – $1,000) in column (h).

Lines 4 and 11

Undistributed capital gains. Include on line 11, column (h), the amount from box 1a of Form 2439. This amount represents the estate's or trust's share of undistributed long-term capital gains from a regulated investment company (mutual fund) or real estate investment trust.

If there is an amount in box 1b of Form 2439, include that amount on line 11 of the *Unrecaptured Section 1250 Gain Worksheet*, later, if you are required to complete line 18b, column (2) of the schedule. If there is an amount in box 1c of Form 2439, see *Exclusion of Gain on Qualified Small Business (QSB) Stock (Section 1202)*, earlier. If there is an amount in box 1d of Form 2439, include that amount on line 4 of the *28% Rate Gain Worksheet.*

Enter on Form 1041, line 24f , the tax paid as reported in box 2 of Form 2439. Increase the basis of the stock by the excess of the amount included in income over the amount of the credit for tax paid. See Pub. 550 for more details.

Installment sales. If the estate or trust sold property (other than publicly traded stocks or securities) at a gain during the tax year and will receive a payment in a later tax year, you generally report the sale on the installment method and file Form 6252, unless you elect not to do so.

Also, use Form 6252 to report any payment received in 2016 from a sale made in an earlier tax year that was reported on the installment method.

To elect out of the installment method, report the full amount of the gain on Form 8949 on a timely filed return (including extensions) for the year of the sale. If the original return was filed timely, the election may be made on an amended return filed no later than 6 months after the due date of the original return (excluding extensions). Write "Filed pursuant to section 301.9100-2" at the top of the amended return, and file it at the same address as the original Form 1041.

Exchange of "like-kind" property. Generally, no gain or loss is recognized when property held for productive use in a trade or business or for investment is exchanged solely for property of a like kind to be held either for productive use in a trade or business or for investment. However, if a trust exchanges like-kind property with a related person (see *Related Persons*, earlier) and within 2 years of the last transfer that was part of the exchange, the related person disposes of the property, or the trust disposes of the property received in exchange from the related person, then the original exchange will not qualify for nonrecognition. See section 1031(f) for exceptions.

Complete and attach Form 8824 to Form 1041 for each exchange.

Line 13—Capital Gain Distributions

Enter as a long-term capital gain on line 13, column (h), the total capital gain distributions paid during the year, regardless of how long the estate or trust held its investment. This amount is reported in box 2a of Form 1099-DIV. If there is an amount in box 2b, include that amount on line 11 of the *Unrecaptured Section 1250 Gain Worksheet*, later, if the worksheet is required. If there is an amount in box 2c, see *Exclusion of Gain on Qualified Small Business (QSB) Stock (Section 1202)*, earlier. If there is an amount in box 2d of Form 1099-DIV, include the amount on line 4 of the *28% Rate Gain Worksheet.*

Line 17, Column (1)—Beneficiaries' Net Short-Term Capital Gain or Loss

Enter the amount of net short-term capital gain or loss allocable to the beneficiary or beneficiaries. Include only those short-term capital losses that are taken into account in determining the amount of gain from the sale or exchange of capital assets that is paid, credited, or required to be distributed to any beneficiary during the tax year. See

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Unrecaptured Section 1250 Gain Worksheet—Line 18b

Keep for Your Records

If the estate or trust isn't reporting a gain on Form 4797, line 7, skip lines 1 through 9 and go to line 10.

1.	If the estate or trust has a section 1250 property in Part III of Form 4797 for which you made an entry in Part I of Form 4797 (but not on Form 6252), enter the **smaller** of line 22 or line 24 of Form 4797 for that property. If the estate or trust didn't have any such property, go to line 4. If it had more than one such property, see instructions		**1.**
2.	Enter the amount from Form 4797, line 26g, for the property for which you made an entry on line 1		**2.**
3.	Subtract line 2 from line 1		**3.**
4.	Enter the total unrecaptured section 1250 gain included on line 26 or line 37 of Form(s) 6252 from installment sales of trade or business property held more than 1 year (see instructions)		**4.**
5.	Enter the total of any amounts reported to the estate or trust on a Schedule K-1 from a partnership or an S corporation as "unrecaptured section 1250 gain"		**5.**
6.	Add lines 3 through 5		**6.**
7.	Enter the **smaller** of line 6 or the gain from Form 4797, line 7	**7.**	
8.	Enter the amount, if any, from Form 4797, line 8	**8.**	
9.	Subtract line 8 from line 7. If zero or less, enter -0-		**9.**
10.	Enter the amount of any gain from the sale or exchange of an interest in a partnership attributable to unrecaptured section 1250 gain (see instructions)		**10.**
11.	Enter the total of any amounts reported to the estate or trust on a Schedule K-1, Form 1099-DIV, or Form 2439 as "unrecaptured section 1250 gain" from an estate, trust, real estate investment trust, or mutual fund (or other regulated investment company)		**11.**
12.	Enter the total of any unrecaptured section 1250 gain from sales (including installment sales) or other dispositions of section 1250 property held more than 1 year for which you didn't make an entry in Part I of Form 4797 for the year of sale (see instructions)		**12.**
13.	Add lines 9 through 12		**13.**
14.	If the estate or trust had any section 1202 gain or collectibles gain or (loss), enter the total of lines 1 through 4 of the *28% Rate Gain Worksheet*. Otherwise, enter -0-	**14.**	
15.	Enter the (loss), if any, from Schedule D, line 7. If Schedule D, line 7, is zero or a gain, enter -0-	**15.** ( )	
16.	Enter the estate's or trust's long-term capital loss carryovers from Schedule D, line 15, and from Schedule K-1 (Form 1041), box 11, code C, from another estate or trust	**16.** ( )	
17.	Combine lines 14 through 16. If the result is a (loss), enter it as a positive amount. If the result is zero or a gain, enter -0-		**17.**
18.	**Unrecaptured section 1250 gain.** Subtract line 17 from line 13. If zero or less, enter -0-. Enter the result here and in the appropriate columns of Schedule D, line 18b		**18.**

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Regulations section 1.643(a)-3 for more information about allocation of capital gains and losses.

If the losses from the sale or exchange of capital assets are more than the gains, the net loss must be allocated to the estate or trust and not to the beneficiaries.

Line 17, Column (2)—Estate's or Trust's Net Short-Term Capital Gain or Loss

Enter the amount of the net short-term capital gain or loss allocable to the estate or trust. Include any capital gain paid or permanently set aside for a charitable purpose specified in section 642(c).

Line 17, Column (3)—Total

Enter the total of the amounts entered in columns (1) and (2). The amount in column (3) should be the same as the amount on line 7.

Line 18a—Net Long-Term Capital Gain or Loss

Allocate the net long-term capital gain or loss on line 18a in the same manner as the net short-term capital gain or loss on line 17. However, don't take the section 1202 exclusion on gain from the sale or exchange of qualified small business stock into account when figuring net long-term capital gain or loss allocable to the beneficiaries.

Line 18b—Unrecaptured Section 1250 Gain

Complete the *Unrecaptured Section 1250 Gain Worksheet*, earlier, if any of the following apply.

- During the tax year, the estate or trust sold or otherwise disposed of section 1250 property (generally, real property that was depreciated) held more than 1 year.
- The estate or trust received installment payments during the tax year for section 1250 property held more than 1 year and is reporting gain on the installment method.
- The estate or trust received a Schedule K-1 from an estate or trust, partnership, or S corporation that reports "unrecaptured section 1250 gain" for the tax year.
- The estate or trust received a Form 1099-DIV or Form 2439 from a real estate investment trust or regulated investment company (including a mutual fund) that reports "unrecaptured section 1250 gain" for the tax year.
- The estate or trust reported a long-term capital gain from the sale or exchange of an interest in a partnership that owned section 1250 property.

Instructions for the Unrecaptured Section 1250 Gain Worksheet

Lines 1 through 3. If the estate or trust had more than one property, complete lines 1 through 3 for each property on a separate worksheet. Next, enter the

total amount for all properties on line 3, then go to line 4.

Line 4. To figure the amount to enter on line 4, follow the steps below for each installment sale of trade or business property held more than 1 year.

Step 1. Figure the smaller of (a) the depreciation allowed or allowable or (b) the total gain for the sale. This is the smaller of line 22 or line 24 of the 2016 Form 4797 (or the comparable lines of Form 4797 for the year of sale) for that property.

Step 2. Reduce the amount figured in step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of the 2016 Form 4797 (or the comparable line of Form 4797 for the year of sale) for that property. The result is the total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.

Step 3. Generally, the amount of section 1231 gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received during the tax year as the smaller of (a) the amount from line 26 or line 37 of the 2016 Form 6252, whichever applies, or (b) the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 4.

Line 10. Include on line 10 the estate's or trust's share of the partnership's unrecaptured section 1250 gain that would result if the partnership had transferred all of its section 1250 property in a fully taxable transaction immediately before the estate or trust sold or exchanged its interest in that partnership. If the estate or trust recognized less than all of the realized gain, the partnership will be treated as having transferred only a proportionate amount of each section 1250 property.

Line 12. An example of an amount reported on line 12 as an "other disposition" includes unrecaptured section 1250 gain from the sale of a vacation home previously used as a rental property that was converted to personal use before the sale. To figure the amount to enter on line 12, follow the applicable instructions below.

Installment sales. To figure the amount to include on line 12, follow the steps below for each installment sale of property held more than 1 year for which you didn't make an entry in Part I of Form 4797 for the year of sale.

Step 1. Figure the smaller of (a) the depreciation allowed or allowable or (b) the total gain for the sale. This is the smaller of line 22 or line 24 of the 2016 Form 4797 (or comparable lines of Form 4797 for the year of sale) for that property.

Step 2. Reduce the amount figured in step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of the 2016 Form 4797 (or the comparable line of Form 4797 for the year of sale) for that property. The result is the total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.

Step 3. Generally, the amount of capital gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received during the tax year as the smaller of (a) the amount from line 26 or line 37 of the 2016 Form 6252, whichever applies, or (b) the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 12.

Other sales or dispositions of section 1250 property. For each sale of property held more than 1 year (for which an entry wasn't made in Part I of Form 4797), figure the smaller of (a) the depreciation allowed or allowable or (b) the total gain for the sale. This amount is the smaller of line 22 or line 24 of Form 4797 for that property. Then, reduce that amount by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of Form 4797 for that property. The result is the total unrecaptured section 1250 gain for the sale. Include this amount on line 12.

Line 18c—28% Rate Gain

Complete the *28% Rate Gain Worksheet,* later, if lines 18a and 19 of column (3) are both greater than zero and at least one of the following applies:

- The estate or trust reported in Part II of Form 8949 a section 1202 exclusion from the eligible gain on qualified small business stock (as discussed earlier), or
- The estate or trust reported in Part II of Form 8949 a collectibles gain or loss.

A collectibles gain or loss is any long-term gain or deductible long-term loss from the sale or exchange of a collectible that is a capital asset.

Collectibles include works of art, rugs, antiques, metals (such as gold, silver, and platinum bullion), gems, stamps, coins, alcoholic beverages, and certain other tangible property.

Also include gain (but not loss) from the sale or exchange of an interest in a partnership, S corporation, or trust held for more than 1 year that is attributable to the unrealized appreciation of collectibles. For details, see Regulations section 1.1(h)-1. Attach the statement required under Regulations section 1.1(h)-1(e) to Schedule D.

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28% Rate Gain Worksheet—Line 18c

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1. Enter the total of all collectibles gain or (loss) from items reported on Form 8949, Part II . . . . . 1. _____
2. Enter as a positive number the total of:
   - Any section 1202 exclusion you reported in column (g) of Form 8949, Part II, with code "Q" in column (f), for which you excluded 50% of the gain;
   - $^{2}/_{3}$ of any section 1202 exclusion you reported in column (g) of Form 8949, Part II, with code "Q" in column (f), for which you excluded 60% of the gain; and
   - $^{1}/_{3}$ of any section 1202 exclusion you reported in column (g) of Form 8949, Part II, with code "Q" in column (f), for which you excluded 75% of the gain.

   Don't make an entry for any section 1202 exclusion that is 100% of the gain. . . . . 2. _____
3. Enter the total of all collectibles gain or (loss) from Form 4684, line 4 (but only if Form 4684, line 15 is more than zero); Form 6252; Form 6781, Part II; and Form 8824 . . . . . 3. _____
4. Enter the total of any collectibles gain reported to the estate or trust on:
   - Form 1099-DIV, box 2d;
   - Form 2439, box 1d; and
   - Schedule K-1 from a partnership, S corporation, estate, or trust. . . . . 4. _____
5. Enter the estate's or trust's long-term capital loss carryovers from Schedule D, line 15, and from box 11, code C of Schedule K-1 (Form 1041) from another estate or trust . . . . . 5. (_____)
6. If Schedule D, line 7 is a (loss), enter that (loss) here. Otherwise, enter -0- . . . . . 6. (_____)
7. Combine lines 1 through 6. If zero or less, enter -0-. If more than zero, also enter this amount in the appropriate columns of Schedule D, line 18c . . . . . 7. _____

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Capital Loss Carryover Worksheet

Keep for Your Records

Use this worksheet to figure the estate's or trust's capital loss carryovers from 2016 to 2017 if Schedule D, line 20 is a loss and (a) the loss on Schedule D, line 19, col. (3) is more than $3,000 or (b) Form 1041, page 1, line 22 is a loss.

1. Enter taxable income or (loss) from Form 1041, line 22 . . . . . 1. _____
2. Enter the loss from line 20 of Schedule D as a positive amount . . . . . 2. _____
3. Enter amount from Form 1041, line 20 . . . . . 3. _____
4. Adjusted taxable income. Combine lines 1, 2, and 3. If zero or less, enter -0- . . . . . 4. _____
5. Enter the **smaller** of line 2 or line 4 . . . . . 5. _____

   Note: ***If line 7 of Schedule D is a loss, go to line 6; otherwise, enter -0- on line 6 and go to line 10.***
6. Enter loss from Schedule D, line 7 as a positive amount . . . . . 6. _____
7. Enter gain, if any, from Schedule D, line 16. If that line is blank or shows a loss, enter -0- . . . . . 7. _____
8. Add lines 5 and 7 . . . . . 8. _____
9. **Short-term capital loss carryover to 2017.** Subtract line 8 from line 6. If zero or less, enter -0-. If this is the final return of the estate or trust, also enter on Schedule K-1 (Form 1041), box 11, using code B . . . . . 9. _____

   Note: ***If line 16 of Schedule D is a loss, go to line 10; otherwise, skip lines 10 through 14.***
10. Enter loss from Schedule D, line 16, as a positive amount . . . . . 10. _____
11. Enter gain, if any, from Schedule D, line 7. If that line is blank or shows a loss, enter -0- . . . . . 11. _____
12. Subtract line 6 from line 5. If zero or less, enter -0- . . . . . 12. _____
13. Add lines 11 and 12 . . . . . 13. _____
14. **Long-term capital loss carryover to 2017.** Subtract line 13 from line 10. If zero or less, enter -0-. If this is the final return of the estate or trust, also enter on Schedule K-1 (Form 1041), box 11, using code C . . . . . 14. _____

Part IV—Capital Loss Limitation

If the sum of all capital losses is more than the sum of all capital gains, the capital losses are allowed as a deduction, but only to the extent of the smaller of the net loss or $3,000.

For any year (including the final year) in which capital losses exceed capital gains, the estate or trust may have a capital loss carryover. Use the *Capital Loss Carryover Worksheet*, earlier, to figure any capital loss carryover. A capital loss carryover may be carried forward indefinitely. Capital losses keep their character as either short-term or long-term when carried over to the following year.

Part V—Tax Computation Using Maximum Capital Gains Rates

Line 26

If the estate or trust received qualified dividends or capital gains as income in respect of a decedent and a section 691(c) deduction was claimed, you must reduce the amount on Form 1041, page 1, line 2b(2), or Schedule D, line 22, (line 7 of the Schedule D Tax Worksheet, if applicable) by the portion of the section 691(c) deduction claimed on Form 1041, page 1, line 19, that is attributable to the estate's or trust's portion of qualified dividends or capital gains.

Line 45

If the tax using the maximum capital gains rates is less than the regular tax, enter the amount from line 45 on line 1a of Schedule G, Form 1041.

Schedule D Tax Worksheet

If you completed the *Schedule D Tax Worksheet* instead of Part V of Schedule D, be sure to enter the amount from line 44 of the worksheet on line 1a of Schedule G, Form 1041.

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Schedule D Tax Worksheet

Keep for Your Records

Complete this worksheet only if:
- On Schedule D, line 18b, column (2), **or** line 18c, column (2), is more than zero, **or**
- Both line 2b(1) of Form 1041 **and** line 4g of Form 4952 are more than zero.

Exception: Don't use this worksheet to figure the estate's or trust's tax if line 18a, column (2), or line 19, column (2), of Schedule D or Form 1041, line 22 is zero or less; instead, see the Instructions for Form 1041, Schedule G, line 1a.

1.	Enter the estate's or trust's taxable income from Form 1041, line 22			**1.** _____
2.	Enter qualified dividends, if any, from Form 1041, line 2b(2)	**2.** _____		
3.	Enter the amount from Form 4952, line 4g	**3.** _____		
4.	Enter the amount from Form 4952, line 4e*	**4.** _____		
5.	Subtract line 4 from line 3. If zero or less, enter -0-	**5.** _____		
6.	Subtract line 5 from line 2. If zero or less, enter -0-		**6.** _____	
7.	Enter the **smaller** of line 18a, col. (2) or line 19, col. (2) from Sch. D	**7.** _____		
8.	Enter the **smaller** of line 3 or line 4	**8.** _____		
9.	Subtract line 8 from line 7. If zero or less, enter -0-		**9.** _____	
10.	Add lines 6 and 9			**10.** _____
11.	Add lines 18b, column (2) and 18c, column (2) from Schedule D		**11.** _____	
12.	Enter the **smaller** of line 9 or line 11			**12.** _____
13.	Subtract line 12 from line 10.			**13.** _____
14.	Subtract line 13 from line 1. If zero or less, enter -0-.			**14.** _____
15.	Enter the **smaller** of line 1 or $2,550		**15.** _____	
16.	Enter the **smaller** of line 14 or line 15		**16.** _____	
17.	Subtract line 10 from line 1. If zero or less, enter -0-	**17.** _____		
18.	Enter the **larger** of line 16 or line 17			▶ **18.** _____
19.	Subtract line 16 from line 15. This amount is taxed at 0%			▶ **19.** _____
	If lines 1 and 15 are the same, skip lines 20 through 40 and go to line 41. Otherwise, go to line 20.			
20.	Enter the **smaller** of line 1 or line 13			**20.** _____
21.	Enter the amount from line 19 (if line 19 is blank, enter -0-)			**21.** _____
22.	Subtract line 21 from line 20. If zero or less, enter -0-			▶ **22.** _____
23.	Enter the **smaller** of line 1 or $12,400		**23.** _____	
24.	Add lines 18 and 19	**24.** _____		
25.	Subtract line 24 from line 23. If zero or less, enter -0-		**25.** _____	
26.	Enter the **smaller** of line 22 or line 25			▶ **26.** _____
27.	Multiply line 26 by 15% (0.15)			**27.** _____
28.	Reserved		**28.** _____	
29.	Add lines 19 and 26		**29.** _____	
	If lines 1 and 29 are the same, skip lines 30 through 40 and go to line 41. Otherwise, go to line 30			
30.	Subtract line 29 from line 20. If zero or less, enter -0-			▶ **30.** _____
31.	Multiply line 30 by 20% (0.20)			**31.** _____
32.	Enter the **smaller** of line 9 (above) or line 18b, col. (2) (from Schedule D)		**32.** _____	
33.	Add lines 10 and 18	**33.** _____		
34.	Enter the amount from line 1 above	**34.** _____		
35.	Subtract line 34 from line 33. If zero or less, enter -0-		**35.** _____	
36.	Subtract line 35 from line 32. If zero or less, enter -0-			▶ **36.** _____
37.	Multiply line 36 by 25% (0.25)			**37.** _____
	If Schedule D, line 18c, column (2) is zero or blank, skip lines 38 through 40 and go to line 41. Otherwise, go to line 38.			
38.	Add lines 18, 19, 26, 30, and 36			**38.** _____
39.	Subtract line 38 from line 1			**39.** _____
40.	Multiply line 39 by 28% (0.28)			**40.** _____
41.	Figure the tax on the amount on line 18. Use the 2016 Tax Rate Schedule in the Instructions for Form 1041			**41.** _____
42.	Add lines 27, 31, 37, 40 and 41			**42.** _____
43.	Figure the tax on the amount on line 1. Use the 2016 Tax Rate Schedule in the Instructions for Form 1041			**43.** _____
44.	**Tax on all taxable income (including capital gains and qualified dividends).** Enter the **smaller** of line 42 or line 43 here **and** on Form 1041, Schedule G, line 1a			**44.** _____

*If applicable, enter instead the smaller amount entered on the dotted line next to line 4e of Form 4952.