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Instructions for Schedule K-1 (Form 1041) for a Beneficiary Filing Form 1040 or 1040-SR

Note. The fiduciary's instructions for completing Schedule K-1 are in the Instructions for Form 1041.

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

Future Developments

For the latest information about developments related to Schedule K-1 (Form 1041) and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form1041](https://www.irs.gov/Form1041).

What's New

Excess deductions on termination.

Under [Final Regulations - TD9918](#), each excess deduction on termination of an estate or trust retains its separate character as an amount allowed in arriving at adjusted gross income; a non-miscellaneous itemized deduction; or a miscellaneous itemized deduction. Box 11, code A, was revised to read *Excess deductions—Section 67(e) expenses* and a new Box 11, code B, *Excess deductions—Non-miscellaneous itemized deductions* was added.

See [Box 11, Code A—Excess Deductions on Termination - Section 67\(e\) Expenses](#) and [Box 11, Code B—Excess Deductions on Termination-Non-Miscellaneous Itemized Deductions](#), later, for more information.

Business interest expense limitation.

The business interest expense limitation of Section 163(j) increases from 30% to 50% of adjustable taxable income for tax year 2020, and retroactively for 2019. Every taxpayer who deducts business interest is required to file Form 8990, Limitation on Business Interest Expense Under Section 163(j), unless an exception for filing is met. For more information, see Form 8990 and its instructions. See box 14, Other Information, code Z, for details.

Reminders

Beneficiary's identification number.

For your protection, Schedule K-1 may show only the last four digits of your identifying number (social security number (SSN), etc.). However, the estate or trust has reported your complete identifying number to the IRS.

Qualified business income deduction.

The Schedule K-1, box 14, code I, related to the qualified business income deduction, has been changed. If applicable, a worksheet or statement containing information needed to figure your qualified business income deduction should be attached to your Schedule K-1. For more information, see the Instructions for Form 8995, *Qualified Business Income Deduction Simplified Computation*, or Form 8995-A, *Qualified Business Income Deduction*. Also see [Code I. Section 199A information](#), later.

Backup withholding. If Schedule K-1 shows backup withholding in box 13, code B, attach a copy to your return.

General Instructions

Purpose of Form

Use Schedule K-1 to report a beneficiary's share of the estate's or trust's income, credits, deductions, etc. on your Form 1040 or 1040-SR, U.S. Individual Income Tax Return. Keep it for your records. Don't file it with your tax return, unless backup withholding was reported in box 13, code B.

Inconsistent Treatment of Items

Generally, you must report items shown on your Schedule K-1 (including attached schedules) the same way that the estate or trust treated the items on its return.

If the treatment of an item on your original or amended return is inconsistent with the estate's or trust's treatment (or if the estate or trust was required to but hasn't filed a return), you must file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), with your original or amended return to identify and explain any inconsistency (or to note that an estate or trust return hasn't been filed).

If you are required to file Form 8082 but fail to do so, you may be subject to the accuracy-related penalty. This penalty is in addition to any tax that results from making your amount or treatment of the item consistent with that shown on the

estate's or trust's return. Any deficiency that results from making the amounts consistent may be assessed immediately.

Errors

If you believe the fiduciary has made an error on your Schedule K-1, notify the fiduciary and ask for an amended or a corrected Schedule K-1. Don't change any items on your copy. Be sure that the fiduciary sends a copy of the amended Schedule K-1 to the IRS. If you are unable to reach an agreement with the fiduciary regarding the inconsistency, you must file Form 8082.

Beneficiaries of Generation-Skipping Trusts

If you received Form 706-GS(D-1), Notification of Distribution From a Generation-Skipping Trust, and paid a generation-skipping transfer (GST) tax on Form 706-GS(D), Generation-Skipping Transfer Tax Return for Distributions, you can deduct the GST tax paid on income distributions on Schedule A (Form 1040), line 6. To figure the deduction, see the Instructions for Form 706-GS(D).

Specific Instructions

Part I—Information About the Estate or Trust

Item E

If the Item E box is checked, this is the final year of the estate or trust.

Note. If the "Final K-1" box at the top of Schedule K-1 is checked, this is the final return for the beneficiary.

Part III—Beneficiary's Share of Current Year Income, Deductions, Credits, and Other Items

The amounts shown in boxes 1 through 14 reflect your share of income, loss, deductions, credits, etc., from an estate or trust. For Form 1040 or 1040-SR filers, page 2 of Schedule K-1 provides summarized reporting information. The summarized reporting information reflects

references to forms in use for calendar year 2020.

Note. If you are not an individual, report the amounts in each box as instructed on your tax return.

Codes. In box 9 and boxes 11 through 14, the fiduciary will identify each item by entering a code in the column to the left of the dollar amount entry space. These codes are identified on page 2 of Schedule K-1.

Attached statements. The fiduciary will enter an asterisk (*) after the code, if any, in the column to the left of the dollar amount entry space for each item for which it has attached a statement providing additional information. For those informational items that cannot be reported as a single dollar amount, the estate or trust will enter an asterisk in the left column and write "STMT" in the dollar amount entry space to indicate the information is provided on an attached statement.

Box 1—Interest

This box reports the beneficiary's share of the taxable interest income. This amount is reported on line 2b of Form 1040 or 1040-SR and Schedule B, Part I, line 1, if applicable.

Box 2a—Ordinary Dividends

This box reports the beneficiary's share of ordinary dividends. This amount is reported on line 3b of Form 1040 or 1040-SR and Schedule B, Part II, line 5, if applicable.

Box 2b—Qualified Dividends

This box reports the beneficiary's share of qualified dividends. This amount is reported on line 3a of Form 1040 or 1040-SR.

Boxes 3 and 4a—Net Short-Term and Net Long-Term Capital Gain

Net short-term capital gains are reported on line 5 of Schedule D (Form 1040) and net long-term capital gains are reported on line 12 of Schedule D (Form 1040).

If there is an attachment to this Schedule K-1 reporting a disposition of a passive activity, see the Instructions for Form 8582, Passive Activity Loss Limitations, for information on the treatment of a disposition of an interest in a passive activity.

Boxes 4b and 4c—28% Rate Gain and Unrecaptured Section 1250 Gain

A 28% rate gain is reported on line 4 of the 28% Rate Gain Worksheet—Line 18 in the Schedule D (Form 1040) instructions.

An unrecaptured section 1250 gain is reported on line 11 of the Unrecaptured Section 1250 Gain Worksheet—Line 19 in the Schedule D (Form 1040) instructions.

Box 5—Other Portfolio and Nonbusiness Income

The amount reported in this box is your distributive share of royalties, annuities, and other income that isn't subject to the passive activity rules. It also includes income in respect of a decedent (IRD), which isn't included in box 1, 2a, 3, 4a, 6, 7, or 8.

Boxes 6 through 8—Ordinary Business Income, Net Rental Real Estate Income, and Other Rental Income

The fiduciary will provide you with a separate schedule showing your distributive share of income from each trade or business, net rental real estate, or other rental activity.

Any losses reported in boxes 6 through 8 may be subject to the passive loss limitations of section 469, which generally limits deducting passive losses only from passive activity income. The rules for applying these limitations to beneficiaries haven't yet been issued. For more details, see Pub. 925, Passive Activity and At-Risk Rules.

Box 9—Directly Apportioned Deductions

The fiduciary must attach a statement showing depreciation, depletion, and amortization directly apportioned to you, if any, for each activity reported in boxes 5 through 8.

Box 10—Estate Tax Deduction (Including Certain Generation-Skipping Transfer Taxes)

If an estate or trust distributes income in respect of a decedent (IRD) to a beneficiary, the beneficiary is entitled to deduct the portion of the estate tax imposed on the decedent's estate which is attributable to the IRD distributed to the beneficiary. You may claim this amount on line 16 of Schedule A (Form 1040). For an example of how this amount was computed, see Regulations section

1.691(c)-2 and Pub. 559, Survivors, Executors, and Administrators.

Box 11, Code A—Excess Deductions on Termination - Section 67(e) Expenses

If this is the final return of the estate or trust, and there are excess deductions on termination that are section 67(e) expenses reported to you as a beneficiary, you may deduct the excess deductions shown in box 11, code A, as an adjustment to income. Report this amount as a write-in on Schedule 1 (Form 1040), Part II, line 22. On the dotted line next to line 22, enter the amount of the expense using the code "ED67(e)". Include the expense in the total amount reported on line 22.

See [Final Regulations - TD9918](#), for examples of allowable excess deductions on termination of an estate or trust.

Note. The regulations are applicable for tax years beginning after 2017.

Excess deductions on termination occur only during the last tax year of the trust or decedent's estate when the total deductions (excluding the charitable deduction and exemption) are greater than the gross income during that tax year. Only the beneficiary of an estate or trust that succeeds to its property is allowed to deduct that entity's excess deductions on termination. A beneficiary who doesn't have enough income in that year to absorb the entire deduction can't carry the balance over to any succeeding year.

Box 11, Code B—Excess Deductions on Termination-Non-Miscellaneous Itemized Deductions

If this is the final return of the estate or trust, and there are excess deductions on termination that are non-miscellaneous itemized deductions reported to you as a beneficiary, you may deduct the excess deductions shown in box 11, code B, on the applicable line on Schedule A (Form 1040). The fiduciary will provide you with a statement for allowable deductions. See [Final Regulations - TD9918](#), for examples of allowable excess deductions on termination of an estate or trust. A beneficiary who doesn't have enough income the tax year to absorb the entire deduction can't carry the balance to any succeeding year.

Note. Section 67(g) suspends miscellaneous itemized deductions subject to the 2% floor for tax years 2018 through 2025. Therefore, miscellaneous itemized deductions are not deductible as

excess deductions on termination. Consult your state taxing authority for information about deducting miscellaneous itemized deductions on your state tax return.

Box 11, Codes C and D—Unused Capital Loss Carryover

Upon termination of the trust or decedent's estate, the beneficiary succeeding to the property is allowed to deduct any unused capital loss carryover under section 1212.

A short-term capital loss carryover, reported as code B, is reported on Schedule D (Form 1040), line 5.

A long-term capital loss carryover, reported as code C, is reported, as appropriate, on Schedule D (Form 1040), line 12; line 5 of the 28% Rate Gain Worksheet for Schedule D, line 18; and line 16 of the Unrecaptured Section 1250 Gain Worksheet for Schedule D, line 19.

Box 11, Codes E and F—NOL Carryover

Upon termination of a trust or decedent's estate, a beneficiary succeeding to its property is allowed to deduct any unused net operating loss (NOL) if the carryover would be allowable to the trust or estate in a later tax year but for the termination. The deduction for regular tax purposes, reported as code E, is reported on Schedule 1 (Form 1040), line 8.

A deduction for an Alternative Tax NOL (ATNOL) carryover for Alternative Minimum Tax (AMT) purposes, reported as code F, is reported on Form 6251, line 2f.

Box 12—Alternative Minimum Tax Items

The information reported in box 12, codes A through I is used to prepare your Form 6251. Code A, Adjustment for minimum tax purposes, is the total amount reported on Form 6251, line 2j. Codes B through F represent the portion, if any, of the amount included in code A.

Codes B through F. If you have an amount in box 12 with code B, C, D, E, or F, see the instructions for lines 13, 14, and 15 of Form 6251.

Codes G through I. Include the amount with any of these codes on the applicable line of Form 6251.

Code J. Exclusion items. If you pay alternative minimum tax in 2020, the amount in box 12, code J, will help you figure any minimum tax credit for 2021. See the 2021 Form 8801, Credit for Prior

Year Minimum Tax—Individuals, Estates, and Trusts, for more information.

Box 13—Credits and Credit Recapture

Codes A through Q, and code Z, list all the credits that may be allocated to you as a beneficiary.

Generally, you must file the source credit form along with Form 3800, General Business Credit, to claim the general business credits listed on Schedule K-1 (Form 1041), codes C through Q, and code Z. However, if your only source for the credits listed on Form 3800, Part III, is from pass-through entities, you may not be required to complete the source credit form. Instead, you may be able to report the credit directly on Form 3800. See below for the instructions for specific credits.

Code A. Credit for estimated taxes.

The beneficiary treats this amount as a payment of estimated tax. To figure any underpayment and penalty on Form 2210, Underpayment of Estimated Tax by Individuals, Estates, and Trusts, treat the amount entered in box 13, code A, as an estimated tax payment made on January 15, 2021.

Note. Form 1041-T, Allocation of Estimated Tax Payments to Beneficiaries, must be timely filed by the fiduciary for the beneficiary to get the credit for an estimated tax payment.

Code B. Credit for backup withholding.

Include this amount on line 25 of your Form 1040 or 1040-SR and attach a copy of Schedule K-1 (Form 1041) to your return.

Code C. Low-income housing credit.

The fiduciary will provide you with a statement showing the amount to report on lines 4 and 11 of Form 8586. If your only source for the credit is a pass-through entity, such as an estate or trust, you can report the amounts from lines 4 and 11 of Form 8586 directly on Form 3800, Part III, lines 1d and 4d, respectively.

Code D. Rehabilitation credit and energy credit.

The fiduciary must give you a statement that shows the information you will need and where to enter it on Form 3468, Investment Credit, so that you can figure the amount of any rehabilitation credit and energy credit that you may claim.

Code E. Other qualifying investment credit.

This code is used to report the qualified investment for figuring the qualifying advanced coal project credit, the qualifying gasification project credit, and the qualifying advanced energy project credit. The fiduciary must provide

you with a statement that shows the information you will need and where to report it on Form 3468 so that you can figure the amount of the previously listed credits that you may claim.

Code H. Biofuel producer credit. See the Instructions for Form 6478 for more information. If your only source for the credit is a pass-through entity, such as an estate or trust, you can report the amount on Form 3800, Part III, line 4c.

Code J. Renewable electricity, refined coal, and Indian coal production credit. The fiduciary must provide you with a statement showing the amount of credit to report on Form 8835, line 19 (including the allocation of the credit for production during the 4-year period beginning on the date the facility was placed in service and for production after that period). If your only source for the credit is a pass-through entity, you can report the amount from line 19 directly on Form 3800, Part III, lines 1f and 4e, as applicable. Otherwise, complete Form 8835 as directed.

Code O. Biodiesel and renewable diesel fuels credit. If this credit includes the small agri-biodiesel producer credit, the fiduciary will provide additional information on an attached statement. If no statement is attached, report this amount on line 9 of Form 8864. If a statement is attached, see the Instructions for Form 8864, line 11.

Code R. Recapture of credits. If you are required to recapture any credits, the fiduciary will provide a statement with the information you need to figure your credit recapture.

Code Z. Other credits. This code is used to report the beneficiary's share of the employee retention credit. For more information on the employee retention credit, see the Instructions for Form 5884-A. If your only source for the employee retention credit is a pass-through entity, such as an estate or trust, you can report the amount directly on Form 3800, Part III, line 1aa.

Box 14—Other Information

Code F. Gross farming and fishing income. The amount of farming and fishing income is included in box 6. This income is separately stated to help determine if you are subject to a penalty for underpayment of estimated tax. Report the amount of gross farming and fishing income on Schedule E (Form 1040 or 1040-SR), Supplemental Income and Loss, line 42.

Code H. Net investment income tax.

This amount is the beneficiary's adjustment for section 1411 net investment income or deductions. Enter this amount on line 7 of Form 8960, as

applicable. See the Instructions for Form 8960.

Code I. Section 199A information.

Generally, you may be allowed a deduction of up to 20% of your apportioned net qualified business income plus 20% of your apportioned qualified REIT dividends, also known as section 199A dividends, and qualified publicly traded partnership (PTP) income from the trust or estate. The trust or estate will provide the information you need to help figure your deduction.

Once you have this information, you will use one of two forms to help you figure your qualified business income deduction.

1. Use Form 8995, *Qualified Business Income Deduction Simplified Computation*, if:

- a) You have qualified business income, section 199A dividends, or PTP income (defined below);
- b) Your 2020 taxable income before your QBI deduction is less than or equal to \$163,300 if single, head of household, qualifying widow/er, or are a trust or estate (\$326,600 if married filing jointly); and
- c) You aren't a patron in a specified agricultural or horticultural cooperative.

2. Use Form 8995-A, *Qualified Business Income Deduction*, if you don't meet all three of these requirements.

Qualified business income pass-through entity reporting information. Using the information provided to you by the trust or estate, complete the appropriate form as identified above.

QBI or Qualified PTP items subject to beneficiary-specific determinations.

The amounts reported to you reflect your apportioned pro rata share of items from the trust or estate's trade(s) or business(es), or aggregation(s) and may include items that aren't includible in your calculation of the QBI deduction. When determining QBI or qualified PTP income, you must include only those items that are qualified items of income, gain, deduction, and loss included or allowed in determining taxable income for the tax year. To determine your QBI or your qualified PTP income amounts and for information on where to report them, see the Instructions for Form 8995 or Form 8995-A, as applicable.

W-2 wages. The amounts reported reflect your apportioned pro rata share of the trust or estate's W-2 wages allocable to the QBI of each qualified trade or business, or aggregation. See the Instructions for Form 8995 or Form 8995-A, as applicable.

UBIA of qualified property. The amounts reported reflect your apportioned pro rata share of the trust or estate's unadjusted basis immediately after acquisition (UBIA) of qualified property of each qualified trade or business, or aggregation. See the Instructions for Form 8995 or Form 8995-A, as applicable.

Section 199A dividends. The amount reported reflects your apportioned pro rata share of the trust or estate's net section 199A dividends. See the Instructions for Form 8995 or Form 8995-A, as applicable.

Patrons of specified agricultural and horticultural cooperatives. If the trust or estate was a patron of an agricultural or horticultural cooperative (Specified Cooperative), you must use Form 8995-A to figure your QBI deduction. In addition, you must complete Schedule D (Form 8995-A) to determine your patron reduction.

QBI items allocable to qualified payments from specified cooperatives subject to beneficiary-specific determinations.

The amounts reported to you reflect your apportioned pro rata share of items from the trust or estate's trade(s) or business(es), or aggregation(s) and include items that may not be includible in your calculation of the QBI deduction and patron reduction. When determining QBI items allocable to qualified payments you must include only qualified items that are included or allowed in determining taxable income for the tax year. To determine your QBI items allocable to qualified payments see the Instructions for Form 8995-A.

Wages allocable to qualified payments from specified cooperatives.

The amounts reported reflect your apportioned pro rata share of the trust or estate's W-2 wages allocable to qualified payments of each qualified trade or business, or aggregation. See the Instructions for Form 8995-A.

Section 199A(g) deduction from specified cooperatives. The amount reported reflects your apportioned pro rata share of the trust or estate's net section 199A(g) deduction. See the Instructions for Form 8995-A.

Code Z. Other information. If this code is used, the fiduciary will provide you with any additional information you may need to file your return that isn't shown elsewhere on this Schedule K-1.

If you receive a statement regarding the splitting of foreign tax credits from the income to which it relates, section 909 may prevent you from deducting the foreign tax credit until the related foreign income is taken into account. See Form 1116, Foreign Tax Credit, and Pub. 514, Foreign Tax Credit for Individuals, for more information.

The fiduciary will provide you the information that you need to figure your section 951A income. Report your section 951A income on Schedule 1 (Form 1040), line 8, or the comparable line of your income tax return. For details, see the Instructions for Form 8992.

Your distributive share of the net amount of section 965(a) inclusion less the corresponding section 965(c) deduction should be reported in box 14, code Z. In addition, the fiduciary will provide a statement detailing your distributive share of the section 965(a) inclusion, the section 965(c) deduction, and any section 960 deemed paid foreign tax credits related to your distributive share of the section 965(a) inclusion (relevant to corporate beneficiaries and individual beneficiaries electing to be taxed as a corporation on gross income under section 951(a), including such gross income by reason of section 965).

If an estate or trust is required to file Form 8990, the adjusted taxable income of an estate or trust beneficiary is reduced by any income (including any distributable net income) received from the estate or trust by the beneficiary to the extent such income supported a deduction for business interest expense under section 163(j)(1)(B) in computing the estate's or trust's taxable income. If applicable, the fiduciary will provide you the necessary information to calculate this amount in an attachment to Schedule K-1.