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Early releases of draft forms and instructions are at IRS.gov/draftforms. Please note that drafts may remain on IRS.gov even after the final release is posted at IRS.gov/downloadforms, and thus may not be removed until there is a new draft for the subsequent revision. All information about all revisions of all forms, instructions, and publications is at IRS.gov/formspubs.

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.

If you wish, you can submit comments about draft or final forms, instructions, or publications on the Comment on Tax Forms and Publications page on IRS.gov. We cannot respond to all comments due to the high volume we receive, but we will carefully consider each one. Please note that we may not be able to consider many suggestions until the subsequent revision of the product.

2016

Department of the Treasury
Internal Revenue Service

Instructions for Form 5227

Split-Interest Trust Information Return

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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 Form 5227 and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/form5227*.

Reminders

Don't include social security numbers on publicly disclosed forms. With the exception of the items described below, Form 5227 and its attachments are subject to public disclosure. Items not subject to disclosure include Schedule A (and any related early termination agreement); Schedule K-1; any K-1 continuation pages and transmittals; the trust agreement; trust amendments; Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation; Form 8582, Passive Activity Loss Limitations; Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund; and any attachment that references contributor or donor information.

General Instructions

Purpose of Form

Use Form 5227 to:

- Report the financial activities of a split-interest trust.
- Provide certain information regarding charitable deductions and distributions of or from a split-interest trust.
- Determine if the trust is treated (for Chapter 42 excise tax purposes) as a private foundation and subject to certain excise taxes under Chapter 42.

Form 5227 is open to public inspection.

Use Schedule A of Form 5227 to report:

- Accumulations of income for charitable remainder trusts,
- Distributions to non-charitable beneficiaries/recipients, and
- Information about donors and assets contributed during the year.

Schedule A of Form 5227 isn't open for public inspection.

Who Must File

All charitable remainder trusts described in section 664 must file Form 5227. All pooled income funds described in section 642(c)(5) and all other trusts such as charitable lead trusts that meet the definition of a split-interest trust under section 4947(a)(2) must file Form 5227 unless the *Exception* (below) applies.

Exception. A split-interest trust described below isn't required to file Form 5227.

- The split-interest trust was created before May 27, 1969, **and**
- All transfers of corpus to the trust occurred before May 27, 1969, **or**
- As to each and every transfer of corpus to the trust made after May 26, 1969, no deduction was allowed under any of the sections listed in section 4947(a)(2).

If a split-interest trust created before May 27, 1969, receives a contribution to corpus after May 26, 1969, for which a deduction is allowed under any of the sections listed in section 4947(a)(2), the trust will cease to qualify for the exception described above. In that case, the split-interest trust must file Form 5227 for the year when the transfer to corpus occurs and each subsequent year, the same as any split-interest trust created after May 26, 1969.

Note. Regulations section 1.6012-3(a)(6) references Form 1041-B, Charitable Remainder Trust. Form 5227 replaces Form 1041-B. Regulations section 1.6034-1(c) references Form 1041-A, U.S. Information Return Trust Accumulation of Charitable Amounts. Form 5227 replaces Form 1041-A for split-interest trusts.

After 2006, a split-interest trust no longer files Form 1041-A for any purpose.

Which Parts To Complete

The term "split-interest trust" refers to trusts of various types. See the *Definitions* section of these instructions below. Certain parts of Form 5227 apply exclusively to a particular type of split-interest trust (such as a charitable remainder trust, also referred to as a "section 664 trust"). Parts or lines that apply exclusively to a particular type of split-interest trust are identified in the Instructions and on Form 5227 with a parenthetical identifying the type of trust to which the part or line applies. Parts or lines that aren't indicated as applying to a particular type of split-interest trust should be completed by every type of split-interest trust with one exception. Parts VI-A and VI-B aren't completed by a charitable remainder or charitable lead trust whose charitable interests involve only war veterans' posts or cemeteries (as described in sections 170(c)(3) and 170(c)(5)).

Definitions

Split-interest trust. A *split-interest trust* is a trust that:

- Is not exempt from tax under section 501(a);
- Has some unexpired interests that are devoted to purposes other than religious, charitable, or similar purposes described in section 170(c)(2)(B); and
- Has amounts transferred in trust after May 26, 1969, for which a deduction was allowed under one of the sections listed in section 4947(a)(2).

A split-interest trust is subject to many of the same requirements and restrictions that are imposed on private foundations.

The most common forms of split-interest trust include the following:

Charitable lead trust. This is a split-interest trust that annually pays a fixed annuity or unitrust amount to a charitable organization for the lead period specified in the trust instrument. The lead period may be a term of years or it

may be a period determined by the lifetime of one or more individuals, as described in Regulations sections 1.170A-6(c), 20.2055-2(e)(2)(vi) and (vii), and 25.2522(c)-3(c)(2)(vi) and (vii). The donor to the trust will have been allowed a deduction under one of the sections listed in section 4947(a)(2). At the end of the lead period, annual payments to the charitable organization cease, and the remaining corpus becomes payable, outright or in trust, to a noncharitable (private) beneficiary.

Charitable remainder annuity trust (CRAT). This is a split-interest trust described in section 664(d)(1). It pays a fixed dollar (annuity) amount, at least annually, to one or more recipients, at least one of which isn't a charitable organization. The annuity amount must be at least 5%, but cannot exceed 50%, of the initial net fair market value (FMV) of all property contributed to corpus, subject to the further requirement that the remainder interest in the trust (measured at the time property is transferred to the trust) must have a value of at least 10% of the FMV of the initial trust corpus. Payments to the recipient continue for a period of years. The period, if stated as a specific number, cannot exceed 20 years. The period can also be determined by the lifespan of one or more recipients. Whether the period is a fixed number of years, or is measured by an individual's lifespan, the value of the remainder interest must be at least 10% of the FMV of the property transferred to the trust (as explained above). Upon termination of the recipient's entitlement to the annuity amount, the remainder interest passes to a charitable organization described in section 170(c), or qualified employer securities are transferred to an employee stock ownership plan.

Charitable remainder unitrust (CRUT). This is a split-interest trust described in section 664(d)(2). It is similar in many respects to a CRAT except that the amount payable to the recipient annually (the unitrust amount) is a fixed percentage (not less than 5% but not more than 50%) of the net FMV of the trust's assets, subject further to the requirement described above that the remainder interest must have a value of at least 10% of the value of the initial trust corpus, determined at the time property is transferred to the trust. Because the unitrust amount is calculated annually based upon the FMV of trust corpus, and isn't a fixed amount determined upon the creation of the trust, the trustee must determine the FMV of the assets of the trust annually. Upon termination of the recipient's entitlement to payments of the unitrust amount, the remainder interest is transferred to a charitable organization described in section 170(c), or qualified employer securities are transferred to an employee stock ownership plan. The trust agreement for a CRUT may allow the trustee to distribute less than the full unitrust amount in years when the trust income (as defined under section 643(b)) is less than the unitrust amount. A Net-Income Makeup Charitable Remainder Unitrust (NIMCRUT) is a charitable remainder unitrust that allows payment of the unitrust amount to be deferred in years when the unitrust amount exceeds trust income, with the deferred distributions being made up in a later year when the trust has sufficient income. A Net Income Charitable Remainder Unitrust (NICRUT) is a charitable remainder unitrust that allows for deferral of the unitrust payment (as described above), but does not provide for deferred distributions to be made up in future years.

Note. The terms "section 664 trust" and "CRT" are general references to charitable remainder trusts. These terms include CRATs and CRUTs.

Pooled income fund. This is a split-interest trust described in section 642(c)(5), which is created and administered by a charitable organization described in section 170(b)(1)(A)(i) – (vi). Donors to the fund receive a lifetime income interest, based upon the rate of return earned by the trust (or such other rate as may be prescribed for a trust in existence for less than three years). Upon the death of the donor and the termination of his or her income interest, the charitable organization becomes entitled to the portion of the trust corpus attributable to the donor's contribution, free of trust.

Recipient. A *recipient* is a beneficiary who receives the possession or beneficial enjoyment of the unitrust or annuity amount.

Foundation manager. A *foundation manager* is an officer, director, or trustee (or an individual who has powers or responsibilities similar to those of officers, directors, or trustees). In the case of any act or failure to act, the term *foundation manager* may also include an employee of the trust who has the authority to act.

Disqualified person. A *disqualified person* is:

1. A substantial contributor;
2. A foundation manager;
3. A person who owns more than 20% of a corporation, partnership, trust, or unincorporated enterprise, which is itself a substantial contributor;
4. A member of the family of an individual in the first three categories; or
5. A corporation, partnership, trust, or estate in which persons described in (1), (2), (3), or (4) above own a total beneficial interest of more than 35%.
6. For purposes of section 4943 (excess business holdings), a disqualified person also includes:
   a. A private foundation which is effectively controlled (directly or indirectly) by the same persons who control the trust in question, or
   b. A private foundation substantially all of the contributions to which were made (directly or indirectly) by the same person or persons described in (1), (2), or (3) above, or members of their families, within the meaning of section 4946(d), who made (directly or indirectly) substantially all of the contributions to the trust in question.
7. For purposes of section 4941 (self-dealing), a disqualified person also includes certain government officials. (See section 4946(c) and the related regulations.)

Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Phone Help

If you have questions and/or need help completing this form, please call 1-877-829-5500. This toll-free telephone service is available Monday through Friday.

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Additional Information

For additional information on private foundations and foundation managers, visit www.irs.gov/charities/foundations/index.html.

Other Forms You May Have To File

You may also be required to file one or more of the following forms.

- Form 56, Notice Concerning Fiduciary Relationship.
- Form 1041, U.S. Income Tax Return for Estates and Trusts.
- Form 1041-ES, Estimated Income Tax for Estates and Trusts.
- Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code.
- Form 8275, Disclosure Statement. Use this form to disclose items or positions (except those contrary to a regulation—see Form 8275-R, next) that aren't otherwise adequately disclosed on the tax return. The disclosure is made to avoid parts of the accuracy-related penalty for disregard of rules or substantial understatement of tax. Form 8275 is also used for disclosures relating to preparer penalties for understatements due to unrealistic positions or for willful or reckless conduct.
- Form 8275-R, Regulation Disclosure Statement. Use this form to disclose any item on a tax return for which a position has been taken that is contrary to Treasury regulations.
- Form 8822-B, Change of Address or Responsible Party—Business.
- Form 8868, Application for Extension of Time To File an Exempt Organization Return.
- Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts.
- Form 8886, Reportable Transaction Disclosure Statement.

You can order forms and publications by downloading forms at www.irs.gov/orderforms.You can also get most forms and publications at your local IRS office or online at IRS.gov.

Period To Be Covered by Return

File Form 5227 for each calendar year. This revision of the form is for the 2016 calendar year.

Accounting Methods

Trust income must be computed using the method of accounting regularly used in keeping the trust's books and records. Generally, permissible methods include the cash method, the accrual method, or any other method authorized by the Internal Revenue Code. The method used must clearly reflect income.

Unless otherwise allowed by law, the trust may not change the accounting method used to report income (for income as a whole or for any material item) without first getting consent on Form 3115, Application for Change in Accounting Method. See Pub. 538, Accounting Periods and Methods, for more details.

When To File

File Form 5227 for calendar year 2016 by April 18, 2017.

Extension of Time To File. Use Form 8868 to request an automatic extension of time to file. The request for an automatic extension must be filed by the due date of the return.

Where To File

U.S. Address. If you use the U. S. Postal Service, and are located in the United States, file Form 5227 at the following address:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

Outside the U.S. If you use a designated Private Delivery Service (or are located outside the U.S. in a foreign country or a U.S. possession), file Form 5227 at this address:

Internal Revenue Service Center
1973 Rulon White Blvd.
M/S 6054
Ogden, UT 84201

Private delivery services (PDSs). In addition to the U.S. Postal Service, exempt organizations can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. These private delivery services include only the following.

- DHL Express 9:00; DHL Express 10:30; DHL Express 12:00; DHL Express Worldwide; DHL Express Envelope; DHL Import Express 10:30; DHL Import Express 12:00; DHL Import Express Worldwide;
- Federal Express (FedEx): FedEx First Overnight, FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Next Flight Out, FedEx International Priority, FedEx International First, and FedEx International Economy.
- United Parcel Service (UPS): UPS Next Day Air Early AM, UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

PDSs cannot deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.

PDSs deliver to:

Internal Revenue Service Center
1973 Rulon White Blvd.
M/S 6054
Ogden, UT 84201

The private delivery service can tell you how to get written proof of the mailing date.

Penalty for Failure To File Timely, Completely, or Correctly

The failure to file penalty under section 6652(c)(2)(C) is imposed on a split-interest trust unless the failure is due to reasonable cause. The penalty is imposed on the trust for failure to:

- Timely file a return,
- File a complete return, or
- Furnish correct information.

The penalty is $20 for each day the failure continues with a maximum of $10,000 for any one return. However, if the trust has gross income greater than $255,000, the penalty is

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$100 for each day the failure continues with a maximum of $51,000 for any one return.

The IRS may make a written demand that the delinquent return be filed or information be furnished specifying a time to comply with the demand. If the trustee fails to comply with the demand by the specified date, the trustee will be charged a penalty of $10 for each day the failure continues with a maximum of $5,000 for any one return.

If the trustee required to file the return knowingly fails to file the return, the same penalty that is imposed on the trust will also be imposed on such trustee. Also, penalties for filing a false or fraudulent return apply.

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Trust Instrument

When you file the first return for a charitable remainder annuity trust or unitrust, or charitable lead annuity or unitrust, include:

1. A copy of the trust instrument, and
2. A written declaration under penalties of perjury that it is a true and complete copy.

For sample forms of trusts that meet the requirements of a charitable remainder unitrust, see Rev. Procs. 2005-52 through 2005-59, 2005-2 C.B. 326, 339, 353, 367, 383, 392, 402, and 412.

For sample forms of a trust that meet the requirements of a charitable remainder annuity trust, see Rev. Procs. 2003-53 through 2003-60, 2003-2 C.B. 230, 236, 242, 249, 257, 262, 268, and 274.

For sample forms of trusts that meet the requirements of an *inter vivos* grantor or nongrantor charitable lead annuity trust, see Rev. Proc. 2007-45, 2007-29 I.R.B. 89. For a sample form of a trust that meets the requirements of a testamentary charitable lead annuity trust, see Rev. Proc. 2007-46, 2007-29 I.R.B. 102.

Rounding Off to Whole Dollars

You may round off cents to whole dollars on your return and attached statements. If you do round 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.

Attachments

If you need more space, attach separate sheets showing the same information in the same order as on the printed form. Show the totals on the printed form.

Enter the trust's name and employer identification number on each sheet. Also, use sheets that are the same size as the forms and indicate clearly the line of the printed form to which the information relates.

Specific Instructions

Identification Area

Complete the information called for at the top of the form exactly as it appears on Form SS-4, Application for Employer Identification Number. The name of the person or institution **currently** serving as trustee, and the trustee's current address, should be entered in the lines below the name of the trust.

Address

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the trustee has a P.O. box, show the box number instead.

If you receive mail for the trust in care of a third party (such as an accountant or an attorney), enter on the street address line "C/O" followed by the third party's name and street address or P.O. box.

A. Employer Identification Number (EIN)

Every trust that completes this return must have an employer identification number (EIN). You can use one of the following methods to apply for an EIN.

- Online – Click on the EIN link at *www.irs.gov/Businesses/Small-Businesses-&-Self-Employed*. The EIN is issued immediately once the application information is validated.
- By mailing or faxing Form SS-4.

Note. The online application process isn't yet available for trusts with addresses in foreign countries.

B. Type of Entity

Check the appropriate box to indicate the type of trust. See the *Definitions* in the *General Instructions*, earlier, for detailed descriptions of the types of split-interest trust that file Form 5227.

D. Gross Income

Enter the trust's gross income for the tax year. Gross income is all income from whatever source derived, including:

- Interest,
- Dividends,
- Rents (such as the amount on line 3 of Schedule E (Form 1040)),
- Royalties (such as the amount on line 4 of Schedule E (Form 1040)),
- Gross income derived from business (such as the amount on line 7 of Schedule C (Form 1040)), and
- Gains (not losses) derived from dealings in property (figured on each transaction).

E. Initial Return, Final Return, Amended Return; or Change of Name or Address

Initial return. Check this box if this is the initial return for the split-interest trust. Charitable remainder trusts also must complete line 93 and attach a copy of the trust instrument.

Final return. Check this box if this is a final return because the trust has terminated. If the trust or a recipient's interest in the trust has terminated, check the "Final K-1" box at the top of the Schedule K-1 (Form 1041).

For charitable remainder trusts. If you check the final return box, be sure to answer the questions for lines 95a–c and complete line 31 if you answered "Yes" to line 95b.

Amended return. If you are filing an amended 2016 Form 5227, check the "Amended return" box. Complete the entire return and correct the appropriate lines with the new information. On an attachment, explain the reason for the changes and identify the lines and amounts being changed.

For charitable remainder trusts. If the amended return results in a change to income, or a change in distribution of any income or other information provided to a recipient, an amended Schedule K-1 (Form 1041) must be filed with the amended Form 5227 and a copy given to each recipient. Check the "Amended K-1" box at the top of the Schedule K-1 (Form 1041).

Change of name or address. If there has been a change in the trustee's name or address from the one used on the prior year's return (including a change to an "in care of" name and address), check the appropriate box(es).

If the address shown on Form 5227 changes after you file the form (including a change to an "in care of" name and address), file Form 8822-B to notify the IRS of the change.

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G. Unrelated Business Taxable Income (Section 664 trust only)

If a charitable remainder trust has any unrelated business taxable income (within the meaning of section 512 and related regulations) for 2016, the trust is liable for a tax under section 664(c)(2) which is treated as a Chapter 42 excise tax. The amount of the excise tax is equal to the amount of the trust's unrelated business taxable income. If the trust has any unrelated business taxable income, answer "Yes" to Item **G** and file Form 4720, in addition to Form 5227, to report the trust's unrelated business taxable income and the tax due.

Part I. Income and Deductions

Section A—Ordinary Income

Report the trust's ordinary income on lines 1 through 7.

Line 1. Interest income. Report all taxable interest income that was received by the trust. Examples of taxable interest include interest from:

- Accounts (including certificates of deposit and money market accounts) with banks, credit unions, and thrifts;
- Notes, loans, and mortgages;
- U.S. Treasury bills, notes, and bonds;
- U.S. savings bonds;
- Original issue discount; and
- Income received as a regular interest holder of a Real Estate Mortgage Investment Conduit (REMIC).

For taxable bonds acquired after December 31, 1987, amortizable bond premium is treated as an offset to the interest income instead of as a separate interest deduction. See Pub. 550, Investment Income and Expenses.

Line 2a. Ordinary dividends. Enter on line 2a the total of all ordinary dividends, including the qualified dividends reported on line 2b.

Line 2b. Qualified dividends. Report on this line all qualified dividends received by the trust. In general, a qualified dividend is a dividend received during the tax year from (a) a domestic corporation or (b) a qualified foreign corporation. A qualified dividend does not include any dividend from a corporation if the corporation is (or was) exempt from income tax under section 501 or 521 for the corporation's current or preceding tax year during which the distribution was made.

Generally, these dividends are reported to the trust in box 1b of Form(s) 1099-DIV, Dividends and Distributions.

Qualified dividends are treated as a separate class of ordinary income for purposes of ordering distributions. See *Ordering Rules for Ordinary Income* later, for more information on distributions. See Pub. 550 for additional information on qualified dividends, including holding period requirements.

Line 3. Business income or (loss). If the trust operated a business, report the income and expenses on Schedule C, Profit or Loss From Business (or Schedule C-EZ, Net Profit From Business) of Form 1040. Enter the net profit or loss from Schedule C or C-EZ on line 3. (Section 664 trusts, see *G. Unrelated Business Taxable Income*, earlier.)

Line 4. Rents, royalties, partnerships, other estates and trusts, etc. Use Schedule E (Form 1040), Supplemental Income and Loss, to report the trust's income or losses from rents, royalties, partnerships, S corporations, other estates and trusts, and REMICs. Enter the net profit or loss from Schedule E on line 4. See the Instructions for Schedule E (Form 1040) for reporting requirements. If the trust received a Schedule K-1 from a partnership, S corporation, or other flow-through entity, use the corresponding lines on Form 5227 to report the interest, dividends, capital gains, etc., from the flow-through entity. (Section 664 trusts, see *G. Unrelated Business Taxable Income*, earlier.)

Line 5. Farm income or (loss). If the trust operated a farm, use Schedule F (Form 1040), Profit or Loss From Farming, to report farm income and expenses. Enter the net profit or loss from Schedule F on line 5. (Section 664 trusts, see *G. Unrelated Business Taxable Income*, earlier.)

Note. If the trust has farm rental income and expenses based on crops or livestock produced by a tenant, report the income and expenses on Schedule E (Form 1040) and include it on line 4. **Don't** use Form 4835, Farm Rental Income and Expenses, or Schedule F (Form 1040) to report such income and expenses and **don't** include the net profit or (loss) from such income and expenses on line 5.

Line 6. Ordinary gain or (loss). Enter from Form 4797, Sales of Business Property, the gain or loss from the sale or exchange of property (other than capital assets) and also from involuntary conversions (other than casualty or theft). For more information, see the Instructions for Form 4797.

Line 7. Other income. List any other item and its amount that is includable in gross income but not included in lines 1 through 6 (or Section B), on the dashed line to the left of the entry space. If more space is needed, attach a statement. Enter the total of these items in the entry space to the right.

Section B—Capital Gains (Losses)

Use Schedule D (Form 1041), Capital Gains and Losses, as directed below. You may also need to complete Form 8949, Sales and Other Dispositions of Capital Assets. Lines 15 and 16 of Schedule D (Form 1041) only apply to a charitable remainder trust (section 664 trust).

Line 9. Total short-term capital gain or (loss). Complete lines 1a through 5 and line 7 of the 2016 Schedule D (Form 1041). Don't make an entry on line 6 of Schedule D (Form 1041). Enter the amount from line 7 of the Schedule D (Form 1041) on line 9.

Line 10. Total long-term capital gain or (loss). Complete lines 8a through 14 and line 16 of the 2016 Schedule D (Form 1041). Don't make an entry on line 15 of Schedule D (Form 1041). Enter the amount from line 16 of Schedule D (Form 1041) on line 10.

For section 664 trust only. Line 10 is the total of all classes (described below) of long-term capital gain. The following is a summary of the classes:

- **28% long-term capital gain class.** This class consists of collectibles gains and losses and the taxable gain (but not more than the section 1202 exclusion) on the sale or exchange of qualified small business stock. Enter these gains or losses on line 12.
- **Section 1250 long-term capital gain class.** This class consists of unrecaptured section 1250 gain (generally the part of real estate capital gain attributable to depreciation) on sales, exchanges, etc. of assets held more than 1 year. Undistributed, unrecaptured section 1250 gain on sales, exchanges, etc. after May 6, 1997, is included in this class. Enter this gain on line 11.
- **All other long-term capital gain class.** This class consists of all other gains or losses from sales, exchanges, and conversions (including installment payments received) of assets held more than 12 months.

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Section C—Nontaxable Income

In this section, include other income that isn't included in Section A or B. This section includes income excluded under Subtitle A, Chapter 1, Subchapter B, Part III of the Internal Revenue Code, such as interest on state and municipal bonds.

Section D—Deductions

For Section 664 Trusts

Include all allowable deductions and any expense that would be allowable but for the fact that it must be allocated to tax-exempt income. No deduction is ever allowed for:

- The personal exemption under section 642(b),
- Charitable contributions under section 642(c),
- Net operating losses under section 642(d),
- Income distribution deductions under section 661,
- Capital loss carryforwards under section 1212,
- Federal income taxes, or
- Federal excise taxes under Chapter 42.

Any expense that isn't deductible in determining taxable income (or not otherwise deductible but for the fact that it must be allocated to nontaxable income) must be allocated to corpus.

Attached statement. List any other allowable deduction (or any expense that would be an allowable deduction but for the fact that it must be allocated to tax-exempt income) that isn't included on lines 17 through 20 and the amount of the deduction. Total the amounts listed and enter the total on line 21.

For Split-Interest Trusts Other Than Section 664 Trusts

Include all expenses attributable to gross income that are deductible for the tax year.

Attached statement. List any other deductible expense that is attributable to the gross income of the trust and isn't included on lines 17 through 20 and line 23 and show the amount of the deduction. Total the amounts listed and enter the total on line 21.

Line 23. Charitable Deduction

Enter the amount of any charitable deduction or other deduction taken under section 642(c) for the tax year.

Section E—Deductions Allocable to Income Categories (Section 664 trust only)

Deductions are allocated as follows.

1. Allowable deductions directly attributable to one or more classes of income items (that is, interest, dividends, or rents) or corpus are allocated to such income classes or corpus.
2. Allowable deductions not allocated under (1) above are allocated on the basis of gross income after directly attributable deductions, to the extent of such income.
3. Deductions not allocated under either (1) or (2) above may be allocated in any manner.

Add the deductions that were allocated to all the classes of income items within each category and enter the amount on the appropriate line. (Note: Any deduction allocated to corpus isn't shown on any line in Section E.)

For a discussion on the allocation of deductions to tax-exempt income, see *Allocation of Deductions for Tax-Exempt Income* in the Instructions for Form 1041.

Part II. Schedule of Distributable Income (Section 664 trust only)

Report the income (both current and cumulative undistributed income) of the trust for purposes of determining the character of distributions in three categories:

1. Ordinary income,
2. Capital gains and losses, and
3. Nontaxable income.

A loss in any one of the three categories may not be used to reduce a gain in any other category. For example, a capital loss may not be used to reduce ordinary income. However, a loss in any one category may be used to reduce undistributed gain for earlier years within that same category, and any excess may be carried forward to reduce gain in future years within that same category.

For information on recordkeeping for long-term capital gains or ordinary income, see the *Capital Gains Distribution Worksheet* or the *Ordinary Income Distribution Worksheet*, later.

Net Investment Income (NII). Beginning in 2013, charitable remainder trusts must begin tracking Excluded Income and net investment income (NII) received and distributed. For 2013 and later years, columns (a), (b), and (c) of Part II, line 27, have been divided into NII and Excluded Income.

The term **Excluded Income** is income received (or losses incurred) by the charitable remainder trust not taken into account in computing NII. For charitable remainder trusts (CRTs) in existence before 2013, all undistributed income as of the end of 2012 is Excluded Income. For 2013 and later years, the CRT must determine whether the items of income, gain, loss, and deduction reported on sections A through D of Part I constitute NII or Excluded Income.

Line 27. Enter the amounts of undistributed Excluded Income and undistributed accumulated NII from post-2012 tax years.

Line 28. Allocate the items of income or loss from the current year between Excluded Income and NII.

The allocation of items of income or loss from the current year between Excluded Income and NII should be reported on line 28 after the application of the gain and loss netting rules outlined in Part II-A of Schedule A, later. In certain situations, NII losses may reduce Excluded Income due to the netting rules. Therefore, those rules should be applied before entering amounts on line 28.

Note. If the CRT elects to use the Simplified Net Investment Income Calculation, then report all income or loss from Part I in the Excluded Income column and leave the NII column empty. See the instructions for the *Simplified Net Investment Income Calculation Election* in Part I-B of Schedule A, later.

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Part III-A. Distributions of Principal for Charitable Purposes

Line 31. Provide the information requested for columns A through C and enter the amount on the line to the right. In column C, list in sufficient detail each class of activity for amounts paid out of principal to the same payee for charitable purposes.

Examples. "Cash payments to buy library material" or "Grant, paid in cash, to equip the chemistry lab at Magnolia University."

Don't merely enter the category (that is, religious, charitable, scientific, literary, or educational). The purpose of the deduction must be entered as shown in the examples above.

Part III-B. Accumulated Income Set Aside and Income Distributions for Charitable Purposes

Complete Part III-B if any of the following apply.

- The trust claimed a deduction in a prior year under section 642(c) for an amount permanently set aside and at the beginning of the year the set aside amount was not fully distributed.
- The trust claimed a deduction during the year under section 642(c) whether the amount was set aside or paid.
- The trust made payment for charitable purposes during the year but claimed the section 642(c) deduction in the prior year.
- The trust is treated as a grantor trust and made a payment for charitable purposes during the year, and the grantor (during the year or a prior year) claimed a charitable deduction as described in Regulations section 1.170A-6(c) upon contribution to the trust.

Note. The grantor trust completes only lines 35 and 36 for this part.

Line 35. Provide the information requested for columns A through C and enter the amount on the line to the right. In column C, list in sufficient detail each class of activity to the same payee for charitable purposes for amounts distributed in which a section 642(c) deduction was claimed.

Don't merely enter the category (that is, religious, charitable, scientific, literary, or educational). The purpose of the deduction must be entered as shown in the examples in Part III-A.

Part IV. Balance Sheet

Complete the balance sheet using the accounting method the trust uses in keeping its books and records. All filers must complete columns (a) and (b). Also, all charitable remainder unitrusts must complete column (c). A charitable remainder unitrust must complete column (c). A charitable lead unitrust may, but isn't required to, show the fair market value of its assets in column (c).

Enter the end-of-year book value where space is provided to the left of column (a) to report receivables and the related allowance for doubtful accounts or depreciable assets and accumulated depreciation. Enter the net amounts in column (b).

Column (c)

In computing the net FMV of the unitrust's assets, take into account all assets and liabilities without regard to whether particular items are taken into account in determining the income of the trust. The net FMV of the trust's assets may be determined on any one date during the tax year of the trust, or by taking the average of valuations made on more than one date during the tax year of the trust, as long as the same valuation date or dates and valuation methods are used each year. See Regulations section 1.664-3.

Line 38. Cash—non-interest-bearing. Enter the amount of cash on deposit in checking accounts, deposits in transit, change funds, petty cash funds, or any other non-interest-bearing account. Don't include advances to employees or officers or refundable deposits paid to suppliers or others.

Line 39. Savings and temporary cash investments. Enter the total of cash in savings or other interest-bearing accounts and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, U.S. Treasury bills, or other governmental obligations that mature in less than 1 year.

Line 40. Accounts receivable. Enter the total accounts receivable (reduced by the corresponding allowance for doubtful accounts) that arose from the sale of goods and/or the performance of services. Claims against vendors or refundable deposits with suppliers or others may be reported here if not significant in amount. (Otherwise, report them on line 49.) Any receivables due from officers, directors, trustees, foundation managers, or other disqualified persons must be reported on line 41. Receivables (including loans and advances) due from other employees should be reported on line 49.

Line 41. Receivables due from officers, directors, trustees, and other disqualified persons. Enter here (and in an attached statement described below) all receivables due from officers, directors, trustees, and other disqualified persons and all secured and unsecured loans (including advances) to such persons.

Attached statement.

1. In the required statement, report each loan separately, even if more than one loan was made to the same person, or the same terms apply to all loans made.

Salary advances and other advances for personal use and benefit, and receivables subject to special terms or arising from transactions not functionally related to the trust's charitable purposes must be reported as separate loans for each officer, director, etc.

2. Receivables that are subject to the same terms and conditions (including credit limits and rate of interest) as receivables due from the general public and that arose in connection with an activity functionally related to the trust's charitable purposes may be reported as a single total for all the officers, directors, etc. Travel advances made in connection with official business of the trust may also be reported as a single total.

For each outstanding loan or other receivable that must be reported separately, the attached statement should use a columnar format and show the following information:

- Borrower's name and title,
- Original amount,
- Balance due,
- Date of note,
- Maturity date,
- Repayment terms,
- Interest rate,
- Security provided by the borrower,
- Purpose of the loan, and
- Description and FMV of the consideration furnished by the lender.

The above detail isn't required for receivables or travel advances that may be reported as a single total (see instruction (2) above). However, report and identify those totals separately in the attachment.

Line 42. Other notes and loans receivable. Enter the combined total of notes receivable and net loans receivable.

Notes receivable. Enter the amount of all notes receivable not listed on line 41 and not acquired as investments. Attach a statement similar to that called for in the line 41 instructions. The statement should also identify the relationship of the borrower to any officer, director, trustee, or other disqualified person.

For a note receivable from any section 501(c)(3) organization, list only the name of the borrower and the balance due on the required statement.

Loans receivable. Enter the gross amount of loans receivable, less the allowance for doubtful accounts, arising from the normal activities of the trust. An itemized list of these loans isn't required, but attach a statement indicating the total amount of each type of loan outstanding. Report loans to officers, directors, trustees, or other disqualified persons on line 41, and loans to other employees on line 49.

Line 43. Inventories for sale or use. Enter the amount of materials, goods, and supplies purchased or manufactured by the trust and held for sale or use in some future period.

Line 44. Prepaid expenses and deferred charges. Enter the amount of short-term and long-term prepayments of future expenses attributable to one or more future accounting periods. Examples include prepayments of rent, insurance, and pension costs, and expenses incurred in connection with a solicitation campaign to be conducted in a future accounting period.

Lines 45a, b, and c. Investments—U.S. and state government obligations, corporate stock, and corporate bonds. Enter the book value (which may be market value) of these investments. Attach a statement that lists each security held at the end of the year and shows whether the security is listed at cost (including the value recorded at the time of receipt in the case of donated securities) or end-of-year market value. Don't include amounts shown on line 39. Governmental obligations reported on line 45a are those that mature in 1 year or more. Debt securities of the U.S. Government may be reported as a single total rather than itemized. Obligations of state and municipal governments may also be reported as a lump-sum total. Don't combine U.S. Government obligations with state and municipal obligations on the attached statement.

Line 46. Investments—land, buildings, and equipment. Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment held for investment purposes, such as rental properties. Attach a statement listing these investment fixed assets held at the end of the year and showing, for each item or category listed, the cost or other basis, accumulated depreciation, and book value.

Line 47. Investments—other. Enter the amount of all other investment holdings not reported on line 45 or line 46. Attach a statement describing each of these investments held at the end of the year. Show the book value for each and indicate whether the investment is listed at cost or end-of-year market value. Don't include program-related investments. See instructions for line 49.

Line 48. Land, buildings, and equipment. Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment owned by the trust and not held for investment. This includes any equipment owned and used by the trust in conducting its charitable activities. Attach a statement listing these fixed assets held at the end of the year and showing for each item or category listed, the cost or other basis, accumulated depreciation, and book value.

Line 49. Other assets. List and show the book value of each category of assets not reportable on lines 38 through 48. Attach a separate statement if more space is needed.

One type of asset reportable on line 49 is program-related investments made primarily to accomplish a charitable purpose of the trust rather than to produce income.

Line 50. Total assets. Columns (a) and (b) (and column (c) if a unitrust) must always have an entry, even if it is zero.

Line 51. Accounts payable and accrued expenses. Enter the total accounts payable to suppliers and others, and accrued expenses such as salaries payable, accrued payroll taxes, and interest payable.

Line 52. Deferred revenue. Include revenue that the organization has received but not yet earned as of the balance sheet date under its method of accounting.

Line 53. Loans from officers, directors, trustees, and other disqualified persons. Enter the unpaid balance of loans received from officers, directors, trustees, and other disqualified persons. For loans outstanding at the end of the year, attach a statement that provides (for each loan) the name and title of the lender and the information specified in the line 41 instructions.

Line 54. Mortgages and other notes payable. Enter the amount of mortgages and other notes payable at the beginning and end of the year. Attach a statement showing, as of the end of the year, the total amount of all mortgages payable and, for each nonmortgage note payable, the name of the lender and the other information specified in the line 41 instructions. The statement should also identify the relationship of the lender to any officer, director, trustee, or other disqualified person.

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Line 55. Other liabilities. List and show the amount of each liability not reportable on lines 51 through 54. Attach a separate statement if more space is needed.

Charitable remainder unitrusts must include any unitrust amounts applicable to prior periods that are unpaid but required to be paid as of the valuation date, since such amounts reduce the net FMV of the trust's assets. However, **don't** include any make-up amount for a net income charitable remainder unitrust (NIMCRUT).

Line 56. Total liabilities. Columns (a) and (b) (and column (c) if a unitrust) must always have an entry, even if it is zero.

Line 60. Total liabilities and net assets. Columns (a) and (b) must always have an entry, even if it is zero.

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Parts V-A and V-B. Charitable Remainder Trust Information

Line 61b. To figure the total annual annuity amounts for a short tax year, see *Short tax years*, later.

Line 65a. Enter the unitrust fixed percentage (which may not be less than 5% or more than 50%).

If there is more than one unitrust recipient, attach a statement showing the percentage of the total unitrust dollar amount payable to each recipient. The sum of these individual shares should be 100%.

Line 65b. This line must always have an entry, even if it is zero.

Line 66a. Enter the trust's 2016 (fiduciary) accounting income determined under the terms of the governing instrument and applicable local law. See section 643(b) and Regulations sections 1.664-3(a)(1)(i)(b)(3) and 1.643(b)-1 for more information.

Line 67a. Enter the amount, if any, from line 69 of the 2015 Form 5227.

If the amount entered isn't the same as line 69 from the prior year's form, attach an explanation and a statement that supports the balance in the make-up account. Figure the total deficiencies from previous years as follows.

1. Aggregate the unitrust's net asset FMV for each previous year.
2. Multiply (1) above by the unitrust's fixed percentage.
3. From the result in (2), subtract the aggregate trust income that was distributed for previous years.

Line 69. Use this amount to determine future accrued accumulated distribution deficiencies.

Short tax years. To figure the annuity amount (line 61b) or the unitrust amount (line 68) for short tax years, multiply the annuity or unitrust amount by the number of days in the trust's tax year, and then divide the result by 365 (or 366 for leap years).

For a unitrust whose governing instrument provides for an income exception, if no valuation date occurs before the end of the trust's tax year, value the trust's assets as of the last day of the trust's tax year.

Parts VI-A and VI-B. Statements Regarding Activities

Answer every question in these sections. If a line does not apply, enter "N/A."

Part VI-A

Line 73. A split-interest trust must have a governing instrument that requires the trust to act or refrain from acting so as not to engage in an act of self-dealing under section 4941 or subject it to the excise taxes under section 4943, 4944, or 4945. The trust may satisfy the requirements either by express language in its governing instrument or by the operation of state law which imposes the above requirements on the trust or treats these requirements as being contained in the governing instrument. If a trust claims it satisfies the requirements of section 508(e) by operation of state law, the provisions of state law must effectively impose the requirements of section 508(e) on the trust.

If, however, the state law does not apply to a governing instrument which contains mandatory directions conflicting with any of its requirements and the trust has such mandatory directions in its governing instrument, then the trust has not satisfied the requirements of section 508(e) by the operation of that state law.

Part VI-B

Complete Part VI-B to determine whether the trust has complied with the applicable Chapter 42 rules relating to private foundations and whether the trust, trustee, disqualified persons, or some combination of these may be liable for certain foundation excise taxes. These excise taxes include:

- The section 4941 tax on self-dealing between the trust and "disqualified persons,"
- The section 4943 tax on excess business holdings,
- The section 4944 tax on investments that jeopardize the trust's charitable purposes, and
- The section 4945 tax on taxable expenditures.

The split-interest trust pays these taxes on Form 4720. For a detailed explanation of each of these taxes, see the Instructions for Form 4720.

The excise taxes on private foundations don't apply to any amounts:

1. Payable under the terms of the trust to income beneficiaries, unless a deduction was allowed under section 170(f)(2)(B), 2055(e)(2)(B), or 2522(c)(2)(B);
2. In trust for which a charitable contribution deduction was not allowed under any section listed in section 4947(a)(2)(B), if the amounts are segregated from amounts for which a deduction was allowable; or
3. Transferred in trust before May 27, 1969.

Line 75. The activities listed on lines 75a(1) through (6) are considered self-dealing under section 4941 unless one of the exceptions described in sections 4941(d)(2)(D), (E), (F), or (G) applies. You may also access information about self-dealing at *www.irs.gov/charities/foundations/index.html* and click on the link for Life Cycle of a Private Foundation.

The terms *disqualified person* and *foundation manager* are defined under *Definitions*, earlier.

Line 75b. If you answered "Yes" to any of the questions in line 75a, you should answer "Yes" to line 75b unless all of the acts engaged in were "excepted" acts. Excepted acts are described in Regulations sections 53.4941(d)-3 and 4 or appear in Notices published in the Internal Revenue Bulletin, relating to disaster assistance. At the time this form went to print, there were no Notices currently in effect relating to disaster assistance for "excepted" acts to self-dealing.

Line 76. Under section 4947(b)(3)(A), a split-interest trust isn't subject to the excess business holdings tax (section 4943) or tax on investments that jeopardize the trust's charitable purpose (section 4944) if all the income interest (and none of the remainder interest) of the trust is devoted solely to one or more of the charitable purposes described in section 170(c)(2)(B). In addition, all amounts in the trust for which a charitable contribution deduction was allowed under section 170 (for individual taxpayers) or similar section for personal holding companies, foreign personal holding companies, estates or trusts (including a deduction for estate or gift tax purposes) cannot have a total value of more than 60% of the total FMV of all amounts in the trust. For the purposes of section 4947(b)(3)(A), the term "income interest" includes the right to receive an annuity or unitrust payment, as described in Regulations section 53.4947-2(b)(2)(i).

Under section 4947(b)(3)(B), a split-interest trust isn't subject to the section 4943 or 4944 taxes if a deduction was allowed under section 170 (and related provisions for other entities) for amounts payable under the terms of the trust to every remainder beneficiary but not to any income beneficiary. For the purposes of section 4947(b)(3)(B), the term "income beneficiary" includes the recipient entitled to receive an annuity or unitrust payment under a CRT, as well as the donor entitled to payments from a pooled income fund. The term "remainder beneficiary" includes the charitable organization entitled to the remainder interest under a CRT or a pooled income fund.

Line 77. In general, excess business holdings are the amount of stock or other interest in a business enterprise that the trust must dispose of to a person other than a disqualified person in order for the trust's remaining holdings in the enterprise to be permitted holdings.

In general, the combined permitted holdings of a trust and all disqualified persons may not be more than 20% of the voting power (or beneficial or profits interest, in the case of a trust or a partnership) in any business enterprise.

In general, a *business enterprise* means the active conduct of a trade or business, including any activity that is regularly conducted to produce income from selling goods or performing services that is an unrelated trade or business under section 513.

The term "business enterprise" does not include:

1. A functionally related business, defined in section 4942(j)(4), or

2. A trade or business if at least 95% of its gross income is derived from passive sources.

See section 4943(d)(3)(B) for additional items that are included in gross income from passive sources.

Line 77a. A private foundation isn't treated as having excess business holdings in any enterprise if, together with related foundations, it owns 2% or less of the voting stock and 2% or less in value of all outstanding shares of all classes of stock. A similar exception applies to a beneficial or profits interest in any business enterprise that is a trust or partnership.

Line 78. In general, an investment which jeopardizes any of the charitable purposes of a trust is one in which a foundation manager did not exercise ordinary business care in making the investment to provide for the long- and short-term financial needs of the trust in carrying out its charitable purposes.

For more information on investments that jeopardize charitable purposes, see Regulations section 53.4944-1.

Line 79. Grants by a trust to a public charity aren't taxable expenditures if the grants aren't earmarked for use for any of the activities described on lines 79a(1) through (5) and there is no oral or written agreement by which the trust may cause the public charity to engage in any such prohibited activity or to select the grant grantee.

Grants made to exempt operating foundations (as defined in section 4940(d)(2)) aren't subject to the expenditure responsibility provisions of section 4945. If the trust made grants to such organizations, you don't have to file Form 4720 for those grants. See the section 4945 regulations for more information.

Line 79b. If you answered "Yes" to any of the questions in line 79a, you should answer "Yes" to line 79b unless all of the transactions engaged in were "excepted" transactions. Excepted transactions are described in Regulations section 53.4945 or appear in Notices published in the Internal Revenue Bulletin, relating to disaster assistance. At the time this form went to print, there were no Notices currently in effect relating to disaster assistance for "excepted" transactions to taxable expenditures.

Line 80a. A *personal benefit contract* is, in general, any life insurance, annuity, or endowment contract that benefits, directly or indirectly, a transferor, a transferor's family member, or a transferor designee that isn't an organization described in section 170(c).

Line 80b. Enter the total of all premiums paid by the split-interest trust on any personal benefit contract if the payment of premiums is in connection with a transfer for which a deduction isn't allowed under section 170(f)(10)(A). Also, if there is an understanding or expectation that any person will directly or indirectly pay any premium on a personal benefit contract for the transferor, include those premium payments in the amount entered on this line. For more information, see the Instructions for Form 8870.

Part VII. Questionnaire for Charitable Lead Trusts, Pooled Income Funds, and Charitable Remainder Trusts

Section A—All Trusts

All trusts are required to answer lines 81 and 82.

Section B—Charitable Lead Trusts

Line 83. The information on this line is used to determine whether sections 4943 and 4944 apply for 2016.

Line 85. Enter the amount for payments described in sections 170(f)(2)(B), 2055(e)(2)(B), and 2522(c)(2)(B).

Section C—Pooled Income Funds

Line 87. Upon termination of the income interest retained or created by a donor, the trustee is required to sever from the fund an amount equal to the value of the remainder interest in the property upon which the income interest is based. The amount severed from the fund must either be paid to, or retained for the use of, the designated public charity, as provided in the governing instrument. See Regulations section 1.642(c)-5(b)(8) for valuation procedures.

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Section D—Charitable Remainder Trusts

Line 91. If a charitable remainder annuity trust or certain charitable remainder unitrusts pay the annuity or unitrust amount after the close of the tax year, and:

1. The payment is made within a reasonable time after the close of the tax year, and

2. To the extent the payment is characterized as corpus from a property distribution (other than cash), the trustee treats any income generated by the distribution as occurring on the last day of the tax year for which the annuity or unitrust amount is due, then the annuity trust or certain unitrusts won't be deemed to have:

- Engaged in self-dealing (section 4941),
- Unrelated debt-financed income (section 514),
- Received an additional contribution (Regulations section 1.664-2(b) and 1.664-3(b)), or
- Failed to function exclusively as a charitable remainder trust (Regulations section 1.664-1(a)(4)).

See Regulations sections 1.664-2(a)(1) and 1.664-3(a)(1) for more information.

Under Regulations section 1.664-1(d)(5), a distribution of property (other than cash) is treated as a sale by the trust.

Note. You must report income (gain) generated by the property distribution (discussed above) on Part I of Form 5227 for the current tax year.

Trusts created before December 10, 1998. The election in Regulations sections 1.664-2(a)(1)(i)(a)(2) and 1.664-3(a)(1)(i)(g)(2) does not apply to charitable remainder annuity trusts and certain charitable remainder unitrusts whose annuity or unitrust amount is 15% or less.

Line 92. Net Investment Income Tax (NIIT)—Regulations Section 1.1411-10(g) Election. In general, a CRT that owns stock of a controlled foreign corporation (CFC) (within the meaning of section 953(c)(1)(B) or 957(a)) or a passive foreign investment company (within the meaning of section 1297(a)) that it treats as a qualified electing fund (QEF) under section 1295 may make the election provided in Regulations section 1.1411-10(g). For NIIT purposes, if an election is in effect with respect to a CFC or QEF, then, in general, the amounts included in income for regular tax purposes under section 951 and section 1293 from the CFC or QEF also are included in NII, and distributions of previously taxed income to the CRT from the CFC or QEF described in section 959(d) or 1293(c) are excluded from NII.

This election must be made on an entity by entity basis, and applies only to the particular CFCs and QEFs for which an election is made. If the CRT owns a CFC or QEF through certain domestic pass-through entities, such as a domestic partnership or common trust fund, the domestic pass-through entity may make the election with respect to the CFC or QEF and you will be considered as having made the election. If the entity does not make the election, you may make the election with respect to the CFC or QEF owned through the entity.

When to make the election. The election applies to the tax year for which it is made and later tax years, and applies to all interests in the CFC or QEF that the CRT later acquires. The CRT cannot revoke the election. The election must be made no later than the first taxable year beginning after December 31, 2013, in which the CRT includes an amount in income for regular tax purposes under section 951(a) or 1293(a) with respect to the CFC or QEF. The election may be made on an original or an amended return, provided that the tax year for which the election is made, and all tax years affected by the election, aren't closed by the period of limitations on assessments under section 6501. For more information, see Regulations section 1.1411-10(g).

Note. CRTs that make the Simplified Net Investment Income Calculation election also may make the Regulations section 1.1411-10(g) election. See *Simplified Net Investment Income Calculation Election*, in the instructions for Part I-B of Schedule A, later.

For more information on the NII treatment of income from certain CFCs and PFICs within the section 664 category and class system, see Regulations section 1.1411-10 and Proposed Regulations section 1.1411-3(d)(2)(ii).

Contents of the election. In order to make the election, the CRT must check the "Yes" box on line 92 and must attach a statement to its Form 5227, which must include:

- Name of the CRT and its EIN,
- A declaration that the CRTs elect under Regulations section 1.1411-10(g) to apply the rules in Regulations section 1.1411-10(g) to the CFCs and QEFs identified in the statement, and
- The following information with respect to each CFC and QEF for which an election is made:
- The name of the CFC or QEF; and
- Either the EIN of the CFC or QEF, or, if the CFC or QEF does not have an EIN, the reference ID number of the CFC or QEF.

Line 96. Check the "Yes" box and enter the name of the foreign country if either (1) or (2) below applies.

1. The 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 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 trust:

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

See FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR) and its instructions to determine whether the trust is considered to have an interest in or signature or other authority over a bank, securities, or other financial account in a foreign country. If "Yes," electronically file FinCEN Form 114 with the Department of the Treasury using the FinCEN's BSA E-Filing System. Because FinCEN Form 114 isn't a tax form, don't file it with Form 5227. See www.fincen.gov for more information.

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

Signature

Form 5227 must be signed by the trustee or by an authorized representative.

If you, as trustee (or an employee or officer of the trust), fill in Form 5227, the Paid Preparer's space should remain

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blank. If someone prepares this return without charge, that person should not sign the return.

Paid Preparer. Generally, anyone who is paid to prepare a tax return for a charitable remainder trust must sign the return and fill in the other blanks in the *Paid Preparer Use Only* area of the return. For all other trusts, completion of Form 5227's *Paid Preparer Use Only* area is optional.

If you have questions about whether a preparer is required to sign the return, please contact an IRS office.

The person required to sign the return as the preparer must:

- Complete the required preparer information,
- Sign it in the space provided for the preparer's signature (a facsimile signature is acceptable), and
- Give the trustee a copy of the return in addition to the copy to be filed with the IRS.

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Enter the paid preparer's PTIN, not his or her Social Security number (SSN), in the "PTIN" box in the paid preparer's block. Because Form 5227 is publicly disclosable, any information entered in this block will become public. For more information about PTINs, visit the IRS website at www.irs.gov/ptin.

Schedule A—Distributions, Assets, and Donor Information

Note. Schedule A **isn't** open to public inspection.

Part I-A. Accumulation Schedule (Section 664 trust only)

The following information applies to lines 2a and 2b:

Line 2a. Enter the total of all distributions for 2016 on the short line to the immediate right of the "2016."

Line 2b. Enter the amount distributed from each income category.

Part I-B. Simplified Net Investment Income Calculation Election (SNIIC Election) (Section 664 trust only)

The CRT may make an election to calculate receipts and distributions of NII using a simplified method that is independent of the section 664 category and class system. Once made, the SNIIC election is irrevocable. If a CRT makes the SNIIC election, the CRT computes the NII in the same manner as an individual. When using the SNIIC, a CRT's accumulated NII is a separate and independent tracking system within the CRT and isn't assigned, combined, or taken into account in any of the CRT's existing categories (ordinary income, capital gain, nontaxable income).

Amount of NII Allocable to Income Recipients

If a CRT makes the SNIIC election, distributions from a CRT to a recipient for a tax year consist of NII equal to the lesser of:

1. The total amount of the distributions to that recipient for that year, or
2. The current and accumulated NII of the CRT.

With this election, the classification of a distribution as consisting of NII or Excluded Income is independent from the character of the income distributed to the recipient for regular tax purposes using the section 664 category and class system. However, see *Effect of the SNIIC Election on Netting and Ordering Rules*, later.

Calculation of NII

In computing the CRT's NII, if in a taxable year a CRT's properly allocable deductions described in section 1411(c)(1)(B) exceed the gross investment income and net gain described in section 1411(c)(1)(A), then such excess deductions shall reduce the NII for that taxable year and, to the extent of any remaining excess deductions, reduce NII in subsequent taxable years of the CRT.

Example. A CRT has dividend income of $1,000 and a long-term capital loss of $10,000 in 2015; and $11,000 long-term capital gains in 2016. The CRT would have ($9,000) of accumulated NII in 2015, so any 2015 distributions to income recipients would not include any NII. In 2016, the CRT would have $2,000 of NII available for distribution in 2016 and after.

Note. The SNIIC election is available for the 2016 tax year under Proposed Regulations section 1.1411-3(d)(3). When finalized, Proposed Regulations section 1.1411-3(d)(3) is proposed to apply to tax years of the CRT beginning after December 31, 2012. However, if, after consideration of all comments received in response to those proposed regulations, it appears that there is no significant interest among taxpayers in having the option of using the simplified method, the IRS may omit this election from the regulations when finalized. If the SNIIC election is omitted, the CRT won't have to amend the 2016 return. The Instructions to Form 5227 in a later year will describe the actions that the CRT must take to transition from the SNIIC to calculating NII using the section 664 category and class system.

When to Make the SNIIC Election

CRTs established after December 31, 2012. In the case of a CRT established after December 31, 2012, a CRT wanting to make the SNIIC election must do so on its Form 5227 return for the taxable year in which the CRT is established.

CRTs established before January 1, 2013. In the case of a CRT established before January 1, 2013, the CRT wanting to make the election must do so on its Form 5227 return for its first taxable year beginning on or after January 1, 2013.

Making a SNIIC Election on an Amended Return. The CRT may make the election on an amended Form 5227 return for that year only if the taxable year for which the SNIIC election is made, and all taxable years that are affected by the election, for both the CRT and its recipients, aren't closed by the period of limitations on assessments under section 6501.

How to Make the SNIIC Election and Completing the Form 5227 with a SNIIC Election

A CRT makes the SNIIC election by:

- Completing lines 27 through 29 of Part II by reporting all income received as Excluded Income;
- Completing lines 1 through 3 of Part I-A of Schedule A by reporting all income distributed as Excluded Income;
- Completing Part I-B of Schedule A (see *Instructions for Part I-B of Schedule A*, later); and
- Reporting the allocable share of NII to recipients consistent with the election.

Instructions for Part I-B of Schedule A

Column (a). Enter the amount from the prior year Form 5227, Schedule A, Part I-B, line 4(d).

Column (b). Enter the CRT's current year NII.

TIP *Using Form 8960 as a worksheet, include the amounts of income, gain, loss, and deductions reported on lines 1-12 of Form 8960 to compute NII (line 12 of Form 8960). Don't file the Form 8960 with the Form 5227.*

Column (c). Enter the lesser of (i) the sum of column (a) and (b), or (ii) the total distributions for the year (reported on line 2a of Part I-A of Schedule A). If the sum of columns (a) and (b) is zero or less, enter -0- in column (c).

Column (d). Subtract column (c) from the sum of columns (a) and (b). This amount will be reported in column (a) of the 2017 Form 5227.

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Effect of the SNIIC Election on Netting and Ordering Rules

The SNIIC election will change the netting and ordering rules for ordinary income and capital gains or losses. See *Ordering Rules for Ordinary Income and Additional Rules for Capital Gains and Losses*, later, for illustrative charts.

TIP *You may want to read the Part II-A instructions and complete all worksheets (as necessary) before you make an entry on Part II-A of Schedule A.*

Part II-A. Current Distributions Schedule (Section 664 trust only)

You must give each recipient listed in Part II-A a Schedule K-1 (Form 1041) that reflects that recipient's current distribution. The following rules and worksheets will help you figure the type of income a recipient receives from the trust's distributions. Also, attach a copy of each Schedule K-1 to Form 5227. See the Instructions for Schedule K-1 (Form 1041) for more information.

Column (b). Recipient's Identifying Number

As a payer of income, the trust is required under section 6109 to request and provide a proper identifying number for each recipient of income. Enter the recipient's number on the respective Schedule K-1. Individuals and business recipients are responsible for giving you their taxpayer identification numbers upon request. You may use Form W-9, Request for Taxpayer Identification Number and Certification, to request the recipient's identifying number.

Penalty

The trust may incur a penalty under section 6723 if it fails to provide the taxpayer identification number of each recipient or income beneficiary identified on Schedule A. The penalty is $50 for each failure to provide a required taxpayer identification number, unless reasonable cause can be established for the failure. If you are unable to provide the taxpayer identification number for any recipient or income beneficiary, explain the circumstances in a signed affidavit and attach it to this return.

Substitute Forms

You don't need prior IRS approval for a substitute Schedule K-1 if it is an exact copy of the IRS statement. The boxes must use the same numbers and titles and must be in the same order and format as on the comparable IRS Schedule K-1. The substitute schedule must include the OMB number. You must request IRS approval to use other substitute Schedules K-1. To request approval, write to:

Internal Revenue Service
Attention: Substitute Forms Program
SE:W:CAR:MP:P:TP
5000 Ellin Road, C6–440
Lanham, MD 20706

CAUTION *You may be subject to a penalty if you file a Schedule K-1 that does not conform to the specifications in Pub. 1167, General Rules and Specifications for Substitute Forms and Schedules.*

For updates on the Substitute Forms Program after this publication went to print, go to the product page for Pub. 1167 at *www.irs.gov/pub1167.*

Inclusion of Amounts in Recipients' Income

If there are two or more recipients, each will be treated as receiving his or her *pro rata* share of the various classes of income or corpus.

Amounts distributed by a charitable remainder annuity trust or a charitable remainder unitrust have the following characteristics in the hands of the recipients:

- First, as ordinary income to the extent of ordinary income for the current year and undistributed ordinary income for prior years of the trust. Ordinary income is computed without regard to any net operating loss deductions under section 172. See the *Ordering Rules for Ordinary Income*, next.
- Second, as capital gains to the extent of the trust's undistributed capital gains. Undistributed capital gains of the trust are determined on a cumulative net basis without regard to any capital loss carrybacks and carryovers. See the *Netting Rules, Ordering Rules for Capital Gains and Losses* and *Carryover Rules* later for capital gains.
- Third, as nontaxable income to the extent of the trust's nontaxable income for the current year and undistributed nontaxable income for prior years.
- Fourth, as a distribution of trust corpus. For this purpose, *trust corpus* means the net FMV of the trust assets less the total undistributed income (but not loss) in each of the above categories.

Column (j). NII

If the CRT has not made a SNIIC election, then enter the total amount of NII allocated to each recipient in column (j) that is included in columns (d) through (g) for that recipient.

If the CRT has made a SNIIC election, then for each recipient multiply the amount in column (c) of Part I-B by the percentage reported in column (c) of line 4 of Part II-A of Schedule A, and enter the amount in column (j) for each recipient.

For each recipient, enter the difference between the amount in column (j) and the sum of the amounts in columns

(d) through (f) using Code H in Box 14 of the Schedule K-1 (Form 1041).

- If the amount in column (j) is less than the sum of the amounts in columns (d) through (f), enter the difference as a negative amount under Code H in Box 14 of the Schedule K-1 (Form 1041).
- If the amount in column (j) is greater than the sum of the amounts in columns (d) through (f), enter the difference as a positive amount under Code H in Box 14 of the Schedule K-1 (Form 1041).

Ordering Rules for Ordinary Income. Ordinary income is composed of two classes for purposes of characterizing and ordering distributions: (a) qualified dividends, and (b) all other ordinary income. If the trust has both classes of ordinary income, distributions are treated as made first from all the other ordinary income class, and second from the qualified dividends class.

The following chart highlights the difference in ordering rules depending on whether the CRT elects to use the Simplified Net Investment Income Calculation (SNIIC) method:

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Additional Rules for Capital Gains and Losses. The following charts highlight the difference in netting and ordering rules for capital gains and losses depending on whether the CRT elects to use the Simplified Net Investment Income Calculation (SNIIC) method. In general, if the CRT elects to use the SNIIC method, the netting and ordering rules will be essentially the same as those applicable before the 2013 tax year; every dollar distributed will carry out the CRT's NII, to the extent of the CRT's accumulated NII, without regard to the class or category of that distribution for regular tax purposes. If the CRT uses the section 664 method for calculating NII and Excluded Income, the netting and ordering rules are expanded to take into account additional classes within the ordinary income and capital gain categories that are created due to the imposition of an additional 3.8% tax on NII but not on Excluded Income.

Netting Rules. Gains and losses are netted within each class to arrive at a net gain or loss for that class. After you net within a class, the following additional netting rules apply to the capital gains category.

Ordering Rules for Ordinary Income

Section 664 Method		SNIIC Election Method
1. Distributions of all other ordinary income:		
	First, ordinary income that is NII (43.4% rate), then	All ordinary income class
	Ordinary income that is Excluded Income (39.6% rate)	
2. Distributions from the qualified dividend class:		
	First, qualified dividends that are NII (23.8% rate), then	All qualified dividends
	Qualified dividends that are Excluded Income (20% rate)	

Netting Rules

Section 664 Method			SNIIC Election Method
1.	Among the long-term capital gain and loss classes:		
	(a)	A net loss from the 28% long-term capital gain class that is NII (31.8% rate) reduces net gains in the following order:	
		First, gain from the section 1250 long-term capital gain class that is NII (28.8% rate), then	Not Applicable
		Net gain from the 28% long-term capital gain class that is Excluded Income (28% rate), then	
		Gain from the section 1250 long-term capital gain class that is Excluded Income (25% rate), then	
		Net gain from all the other long-term capital gain class that is NII (23.8% rate), and finally	
		Net gain from all the other long-term capital gain class that is Excluded Income (20% rate).	
	(b)	A net loss from the 28% long-term capital gain class that is Excluded Income (28% rate) reduces net gains in the following order:	
		First, net gain from the 28% long-term capital gain class that is NII (31.8% rate), then	First, gain from the section 1250 long-term capital gain class, then
		Gain from the section 1250 long-term capital gain class that is NII (28.8% rate), then	
		Gain from the section 1250 long-term capital gain class that is Excluded Income (25% rate), then	Net gain from all the other long-term capital gain class.
		Net gain from all the other long-term capital gain class that is NII (23.8% rate), and finally	
		Net gain from all the other long-term capital gain class that is Excluded Income (20% rate).	
	(c)	A net loss from all the other long-term capital gain class that is NII (23.8% rate) reduces net gains in the following order:	

Section 664 Method			SNIIC Election Method
		First, net gain from the 28% long-term capital gain class that is NII (31.8% rate), then	Not Applicable
		Gain from the section 1250 long-term capital gain class that is NII (28.8% rate), then	
		Net gain from the 28% long-term capital gain class that is Excluded Income (28% rate), then	
		Gain from the section 1250 long-term capital gain class that is Excluded Income (25% rate), and finally	
		Net gain from all the other long-term capital gain class that is Excluded Income (20% rate).	
	(d)	A net loss from all the other long-term capital gain class that is Excluded Income (20% rate) reduces net gains in the following order:	
		First, net gain from the 28% long-term capital gain class that is NII (31.8% rate), then	First, net gain from the 28% long-term capital gain class, then
		Gain from the section 1250 long-term capital gain class that is NII (28.8% rate), then	
		Net gain from the 28% long-term capital gain class that is Excluded Income (28% rate), then	Gain from the section 1250 long-term capital gain class.
		Gain from the section 1250 long-term capital gain class that is Excluded Income (25% rate), and finally	
		Net gain from all the other long-term capital gain class that is NII (23.8% rate).	
2.	Among the short-term and long-term gain and loss classes:		
	(a)	A net short-term capital loss that is NII (43.4% rate) is applied to reduce the net short-term and net long-term capital gain classes as follows:	
		First, short-term capital gain class that is Excluded Income (39.6% rate), then	First, net gain from the 28% long-term capital gain class, then
		Net gain from the 28% long-term capital gain class that is NII (31.8% rate), then	
		Gain from the section 1250 long-term capital gain class that is NII (28.8% rate), then	Gain from the section 1250 long-term capital gain class, and finally
		Net gain from the 28% long-term capital gain class that is Excluded Income (28% rate), then	
		Gain from the section 1250 long-term capital gain class that is Excluded Income (25% rate), then	
		Net gain from all the other long-term capital gain class that is NII (23.8% rate), and finally	Net gain from all the other long-term capital gain class.
		Net gain from all the other long-term capital gain class that is Excluded Income (20% rate).	
	(b)	A net short-term capital loss that is Excluded Income (39.6% rate) is applied to reduce the net short-term and net long-term capital gain classes as follows:	
		First, short-term capital gain class that is NII (43.4% rate), then	
		Net gain from the 28% long-term capital gain class that is NII (31.8% rate), then	First, net gain from the 28% long-term capital gain class, then
		Gain from the section 1250 long-term capital gain class that is NII (28.8% rate), then	
		Net gain from the 28% long-term capital gain class that is Excluded Income (28% rate), then	Gain from the section 1250 long-term capital gain class, and finally
		Gain from the section 1250 long-term capital gain class that is Excluded Income (25% rate), then	
		Net gain from all the other long-term capital gain class that is NII (23.8% rate), and finally	Net gain from all the other long-term capital gain class.
		Net gain from all the other long-term capital gain class that is Excluded Income (20% rate).	
3.	An overall net long-term capital loss reduces any net short-term capital gain as follows:		
		First, any net short-term capital gain that is NII (43.4% rate), then	Overall net long-term capital loss reduces any net short-term capital gain.
		Any net short-term capital gain that is Excluded Income (39.6% rate)	

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Ordering rules for capital gains and losses. The following rules apply to undistributed long-term capital gains on assets held more than 1 year. If, in any tax year of the trust, the trust has both undistributed short-term capital gain and undistributed long-term capital gain, the short-term capital gain is deemed distributed before any long-term capital gain.

Ordering Rules for Capital Gains and Losses

Section 664 Method		SNIIC Election Method
1. Any short-term capital gains are deemed to be distributed in the following order:		
	First, short-term capital gain class that is NII (43.4% rate), then	Short-term capital gains
	Short-term capital gain class that is Excluded Income (39.6% rate)	
2. Any long-term capital gains are deemed to be distributed in the following order:		
	The 28% long-term capital gain class that is NII (31.8% rate) is deemed distributed, then	The 28% long-term capital gain class is deemed distributed, then
	The section 1250 long-term capital gain class that is NII (28.8% rate) is deemed distributed, then	

	Section 664 Method	SNIIC Election Method
	The 28% long-term capital gain class that is Excluded Income (28% rate) is deemed distributed, then	The section 1250 long-term capital gain class is deemed distributed, and finally
	The section 1250 long-term capital gain class that is Excluded Income (25% rate) is deemed distributed, then	
	All other long-term capital gain class that is NII (23.8% rate) is deemed distributed, and finally	All other long-term capital gain class.
	All other long-term capital gain class is deemed distributed.	

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Carryover Rules

	Section 664 Method	SNIIC Election Method
1. If the trust has capital losses in excess of capital gains for any tax year:		
	The excess of the 43.4% rate net short-term capital loss over the net long-term capital gain for that year is a 43.4% rate short-term capital loss carryover to the next tax year.	The excess of the net short-term capital loss over the net long-term capital gain for that year is a short-term capital loss carryover to the next tax year.
	The excess of the 39.6% rate net short-term capital loss over the net long-term capital gain for that year is a 39.6% rate short-term capital loss carryover to the next tax year.	
	The excess of the 23.8% net long-term capital loss over the net short-term capital gain for that year is a 23.8% long-term capital loss carryover to the next tax year.	The excess of the net long-term capital loss over the net short-term capital gain for that year is a long-term capital loss carryover to the next tax year.
	The excess of the 20% net long-term capital loss over the net short-term capital gain for that year is a 20% long-term capital loss carryover to the next tax year.	
2. If the trust has capital gains in excess of capital losses for any tax year:		
	The excess of the 43.4% rate net short-term capital gain over the net long-term capital loss for that year is, to the extent not deemed distributed, a 43.4% rate short-term capital gain carryover to the next tax year.	The excess of the net short-term capital gain over the net long-term capital loss for that year is, to the extent not deemed distributed, a short-term capital gain carryover to the next tax year.
	The excess of the 39.6% rate net short-term capital gain over the net long-term capital loss for that year is, to the extent not deemed distributed, a 39.6% rate short-term capital gain carryover to the next tax year.	
	The excess of the 31.8% rate net long-term capital gain over the net short-term capital loss for that year is, to the extent not deemed distributed, a 31.8% rate long-term capital gain carryover to the next tax year.	The excess of the net long-term capital gain over the net short-term capital loss for that year is, to the extent not deemed distributed, a long-term capital gain carryover to the next tax year.
	The excess of the 28.8% rate net long-term capital gain over the net short-term capital loss for that year is, to the extent not deemed distributed, a 28.8% rate long-term capital gain carryover to the next tax year.	
	The excess of the 28% rate net long-term capital gain over the net short-term capital loss for that year is, to the extent not deemed distributed, a 28% rate long-term capital gain carryover to the next tax year.	
	The excess of the 25% rate net long-term capital gain over the net short-term capital loss for that year is, to the extent not deemed distributed, a 25% rate long-term capital gain carryover to the next tax year.	
	The excess of the 23.8% rate net long-term capital gain over the net short-term capital loss for that year is, to the extent not deemed distributed, a 23.8% rate long-term capital gain carryover to the next tax year.	
	The excess of the 20% rate net long-term capital gain over the net short-term capital loss for that year is, to the extent not deemed distributed, a 20% rate long-term capital gain carryover to the next tax year.	

Part II-B. Current Distributions

(Charitable lead trusts or pooled income funds only)

Line 5. A charitable lead trust uses line 5 to report the aggregate amount of distributions made during the year to one or more noncharitable (private) beneficiaries. For example, when the lead period terminates, all future distributions are payable to the noncharitable beneficiary. However, because charitable lead trusts can vary considerably, the expiration of the lead period isn't the only context within which the trust may provide for payments to a noncharitable (private) beneficiary. See the annotations to the sample charitable lead trusts in Rev. Proc. 2007-45, 2007-29 I.R.B. 89, and Rev. Proc. 2007-46, 2007-29 I.R.B. 102, for examples of other situations in which amounts may be payable to a noncharitable beneficiary.

A pooled income fund uses line 5 to report the amount distributable annually among one or more noncharitable (private) beneficiaries who hold income interests in the fund.

Part III. Assets and Donor Information

Line 7. Pooled income funds don't complete lines 6 and 7.

For trusts that answered “Yes” to question 6, complete all columns on line 7 for all donors to the trust in 2016. For additional donors to the trust that did not contribute to the trust in 2016, complete column (a) only.

For trusts that answered “No” to question 6, complete only column (a) for all donors to the trust.

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The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	73 hr., 39 min.
Learning about the law or the form	20 hr., 45 min.
Preparing the form	42 hr., 23 min.
Copying, assembling, and sending the form to IRS	5 hr., 37 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can send us comments from *www.irs.gov/formspubs*. Click on *More Information* and then click on *Give us feedback.* Or you can send your comments to the Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Don't send the tax form to this address. Instead, see *Where To File*, earlier.

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Capital Gains Distribution Worksheet (*KEEP FOR YOUR RECORDS*)

Use this worksheet to determine the ordering of any capital gains distributions.

	Short-term		Long-term					
	Excluded	Accumulated Net Investment Income (ANII) post 2012	28% long-term capital gain class		Section 1250 long-term capital gain class		All other long-term capital gain classes	
			Excluded	ANII post 2012	Excluded	ANII post 2012	Excluded	ANII post 2012
1. Prior years undistributed gain or (loss)								
2. Current year net gain or (loss)								
3. Total combined gain or (loss) by class . .								
4. Adjustments for netting any long-term capital (losses) on line 3								
5. Total								
6. Adjustments for netting any short-term capital gain or (loss) on line 3 (see *Netting Rules* , earlier) . . .								
7. Total undistributed gains								
8. 2016 distributions...								
9. Carryforward to 2017 (line 7 less line 8)...								

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Ordinary Income Distribution Worksheet (*KEEP FOR YOUR RECORDS*)

Use this worksheet to determine the ordering of any ordinary income distributions.

	All other ordinary income		Qualified dividends	
	Excluded	Accumulated NII post 2012	Excluded	Accumulated NII post 2012
1. Prior years undistributed ordinary income or (loss)				
2. Current year ordinary income or (loss)				
3. Total combined ordinary income or (loss) by class				
4. Adjustments for netting any ordinary (losses) on line 3				
5. Total undistributed ordinary income				
6. 2016 distributions...				
7. Carryforward to 2017 (line 5 less line 6)				

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