Instructions for Form 1041-N

(Rev. December 2025)

U.S. Income Tax Return for Electing Alaska Native Settlement Trusts

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

Future Developments

For the latest information about developments related to Form 1041-N and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form1041N*.

What's New

Electronic payments. The U.S. Government is transitioning from paper-based payments (including checks and money orders) to and from the federal government to electronic payments to improve efficiency and prevent delays, risks of fraud, lost payments, and theft.

Making a payment. If there is a balance due on Part II, line 20, go to *IRS.gov/Payments* for more information on how to make a payment. See *Line 20—Tax Due*, later, for more details.

Direct deposit. We have added direct deposit fields to lines 22c–22e. If there's a refund on Part II, line 22b, enter your direct deposit information on lines 22c, 22d, and 22e. See *Line 21—Overpayment*, later, for more information.

General Instructions

Use this revision for tax years beginning after 2017.

Purpose of Form

Under section 646, an Alaska Native Settlement Trust (ANST) may elect to apply special income tax treatment to the trust and its beneficiaries. This one-time election is made by filing Form 1041-N in the first tax year of the trust. Form 1041-N is used to report an ANST's income, deductions, gains, losses, etc., and to figure and pay any income tax due. Form 1041-N is also used to report special information applicable to an ANST's filing requirements.

Definitions

An ANST is a settlement trust within the meaning of section 3(t) of the Alaska Native Claims Settlement Act (ANCSA).

An Alaska Native Corporation (ANC) has the same meaning as the term "Native Corporation" has under section 3(m) of the ANCSA.

A "sponsoring AN" means the ANC that transfers assets to an electing ANST.

A trustee is a fiduciary of the trust. Any reference in these instructions to "you" means the trustee of the trust.

Tax Treatment of an Electing ANST

Adjusted Gross Income (AGI)

Figure the AGI of an electing ANST by subtracting from total income (line 5) administrative costs (lines 7 through 9) and the exemption amount (line 11). Administrative costs are deductible to the extent they would not have been incurred if the property were not held by the ANST.

Taxable Income

In general, an electing ANST's taxable income is figured in the same manner as any other taxable trust (see Internal Revenue Code subchapter J). However, the electing ANST isn't allowed to take an income distribution deduction, though it can claim an exemption deduction, the amount of which depends on the terms of the trust.

See the Schedule K instructions for information on the beneficiaries' tax treatment of distributions received from the ANST.

Income Assignment From a Native Corporation

The ANST reports income assignments from an ANC on the appropriate income line consistent with the type of income assigned to the ANST. See *Part III—Other Information, Question 1*, later, for the information required to be attached to the form.

Tax

An electing ANST pays tax on its taxable income at the lowest rate specified for single individuals (10%). If the ANST has net capital gain or qualified dividends, use the tax computation in Part IV of Schedule D, which applies a 0% rate on its adjusted net capital gain.

Disqualifying Acts

If, at any time, a beneficial interest in an ANST may be disposed of to a person in a manner that isn't permitted by section 7(h) of the ANCSA (if the interest were settlement common stock), then:

- If no election has previously been made, the ANST can't elect special tax treatment under section 646 for the trust and its beneficiaries; or
- If the election is in effect at that time:

1. The election won't apply as of the first day of the tax year in which a prohibited disposition is first allowed;

2. The section 646 tax treatment won't apply to the trust for that tax year or in any subsequent tax years; and

3. The distributable net income of the trust will be increased by the current or accumulated earnings and profits of the sponsoring ANC as of the close of the tax year, after adjustment is made for all distributions made by the sponsoring ANC during the tax year. However, this increase is limited to the fair market value (FMV) of the trust's assets as of the date the beneficial interest of the trust first becomes disposable.

If stock in the sponsoring ANC may be disposed of to a person in a manner that isn't allowed by section 7(h) of the ANCSA (if the stock were settlement common stock) and at any time after such disposition of stock is first allowed, the corporation transfers assets to an ANST, then items 1, 2, and 3 above will apply to the ANST in the same manner as if the

ANST allowed dispositions of beneficial interests in the ANST in a manner not allowed by section 7(h) of the ANCSA.

The surrender of an interest in an ANC or an electing ANST by the shareholder or beneficiary, for a whole or partial redemption or for the whole or partial liquidation of the corporation or trust, will be considered a transfer allowed by section 7(h) of the ANCSA.

Information Reporting Requirements

Electing ANSTs must complete Schedule K and file it with Form 1041-N. The ANST must also provide a copy of Schedule K to the sponsoring ANC by the date Form 1041-N is required to be filed with the IRS. The ANST isn't required to provide information to the beneficiaries on distributions made to them. The sponsoring ANC will provide the beneficiaries with any required information.

Who Must File

The trustee of any electing ANST having any taxable income, or having gross income of at least $600 for the tax year, must file Form 1041-N for that year.

Making the Election

Caution: The trustee of an ANST must make this election by the due date (including extensions) for filing the ANST's tax return for its first tax year.

The trustee makes the election for the ANST by signing Form 1041-N in the signature block on page 1. The return must be filed by the due date (including extensions) for filing the ANST's tax return for its first tax year. Once the election is made, it applies to all subsequent years and can't be revoked.

When To File

ANSTs file Form 1041-N by the 15th day of the 4th month following the close of the tax year. If the due date falls on a Saturday, Sunday, or legal holiday, file on the next business day.

Private Delivery Services (PDSs)

You can use certain PDSs designated by the IRS to meet the "timely mailing as timely filing"trule for tax returns. Go to *IRS.gov/PDS* for the current list of designated services.

The PDS can tell you how to get written proof of the mailing date.

For the IRS mailing address to use if you're using a PDS, go to *IRS.gov/PDSStreetAddresses*.

Caution: PDSs can't 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.

Extension of Time To File

Use Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns, to request an automatic extension of time to file.

An extension of time to file doesn't extend the time to pay the tax.

Where To File

File Form 1041-N at the following address.

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

Who Must Sign

The trustee or an authorized representative must sign Form 1041-N.

Paid Preparer

Generally, anyone who is paid to prepare a tax return must sign the return and provide the information requested in the Paid Preparer Use Only section of the return. The person required to sign the return must:

- Complete the required preparer information;
- Sign it in the space provided for the preparer's signature; and
- Give you a copy of the return for your records, in addition to the copy to be filed with the IRS.

Paid Preparer Authorization

If the trustee wants to allow the IRS to discuss the ANST's tax return with the paid preparer who signed it, check the "Yes" box in the signature area of the return. This authorization applies only to the individual whose signature appears in the Paid Preparer Use Only section of the ANST's return. It doesn't apply to the firm, if any, shown in that section.

If the "Yes" box is checked, the trustee is authorizing the IRS to call the paid preparer to answer any questions that may arise during the processing of the ANST's return. The trustee is also authorizing the paid preparer to:

- Give the IRS any information that is missing from the ANST's return;
- Call the IRS for information about the processing of the ANST's return or the status of its refund or payment(s); and
- Respond to certain IRS notices that the trustee has shared with the preparer about math errors, offsets, and return preparation. The notices won't be sent to the preparer.

The trustee isn't authorizing the paid preparer to receive any refund, enter into any agreement (including those regarding additional tax liability), or otherwise represent the ANST before the IRS. If the trustee wants to expand the paid preparer's authorization, see Pub. 947, Practice Before the IRS and Power of Attorney.

The authorization can't be revoked. However, the authorization will automatically end no later than the due date (regardless of extensions) for filing the ANST's next tax return.

Accounting Methods

Figure taxable income using the method of accounting regularly used in keeping the ANST's books and records. Generally, permissible methods include the cash method, the accrual method, or any other method authorized by the Internal Revenue Code. In all cases, the method used must clearly reflect income.

Generally, the ANST may change its accounting method (overall method or for any material item) only by getting consent on Form 3115, Application for Change in Accounting Method. For more information, see Pub. 538, Accounting Periods and Methods.

Accounting Periods

All electing ANSTs must adopt a calendar year.

Rounding Off to Whole Dollars

You may round off cents to whole dollars on the ANST's return and schedules. If you do round to whole dollars, you must round all amounts. To round, drop amounts under 50

cents and increase amounts from 50 to 99 cents to the next dollar. For example, $1.39 becomes $1 and $2.50 becomes $3.

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

Estimated Tax

Generally, an ANST must pay estimated income tax if it expects to owe at least $1,000 after subtracting withholding and credits. For details and exceptions, see Form 1041-ES, Estimated Income Tax for Estates and Trusts.

Interest and Penalties

Interest

Interest is charged on taxes not paid by the due date, even if an extension of time to file is granted. Interest is also charged on the failure-to-file penalty, the accuracy-related penalty, and the fraud penalty. The interest charge is figured at a rate determined under section 6621.

Late Filing of Return

The law provides a penalty of 5% of the tax due for each month, or part of a month, that the return isn't filed up to a maximum of 25% of the tax due. If the return is more than 60 days late, the minimum penalty is the smaller of $525 or the tax due. The penalty won't be imposed if you can show that the failure to file on time is due to reasonable cause. If you receive a notice about penalty and interest after you file this return, send us an explanation and we will determine if you meet reasonable-cause criteria. **Don't** attach an explanation when you file Form 1041-N.

For more information about penalties for late filing, see *Late Filing of Return* in the Instructions for Form 1041.

Late Payment of Tax

Section 6651 also provides for penalties for late payment. Generally, the penalty for not paying the tax when due is 1/2 of 1% of the unpaid amount for each month or part of a month it remains unpaid. The maximum penalty is 25% of the unpaid amount. The penalty is imposed on the net amount due. Any penalty is in addition to interest charges on late payments.

Caution: If you include interest or either of these penalties with your payment, identify and enter these amounts in the bottom margin of Form 1041-N. Don't include the interest or penalty amount in the balance of tax due on line 18.

Underpaid Estimated Tax

If the trustee underpaid estimated tax, use Form 2210, Underpayment of Estimated Tax by Individuals, Estates, and Trusts, to figure any penalty due. Enter the amount of the penalty in the bottom margin of Form 1041-N. Don't include it in the balance of tax due on line 18.

Other Penalties

Other penalties can be imposed for negligence, substantial understatement of tax, and fraud. See Pub. 17, Your Federal Income Tax, for details on these penalties.

Specific Instructions

Enter the year (or period) for which you are filing for the electing ANST.

Part I—General Information

Line 1—Name of Trust

Enter the exact name that was used to apply for the employer identification number (EIN) for the trust to file Form 1041-N.

Line 3a—Name and Title of Trustee

Enter the name and title (if any) of the trustee. If a fiduciary relationship was created or terminated, file Form 56, Notice Concerning Fiduciary Relationship.

If a fiduciary relationship wasn't created or terminated but the fiduciary had a change in name or another fiduciary's name was entered, check the "Change in fiduciary's name" box on line 6.

Line 3b—Address

Include the suite, room, or other unit number after the street address. If the post office doesn't deliver mail to the street address and you have a P.O. box, show the box number instead of the street address.

If you change your address after filing Form 1041-N, use Form 8822-B, Change of Address or Responsible Party—Business, to notify the IRS.

If a different address from the prior year was entered and Form 8822-B wasn't filed, check the box on line 6 for "Change in fiduciary's address."

Line 6

Be sure to check all the boxes that apply. Also, see the line 3a and line 3b instructions above for information regarding a change in the fiduciary's name and for information on changes to the fiduciary's address.

Part II—Tax Computation

Income

Line 2a—Total Ordinary Dividends

Report the total of all ordinary dividends received during the tax year.

Line 2b—Qualified Dividends

Enter the ANST's total qualified dividends on line 2b and use Part IV of Schedule D to figure the ANST's tax. Qualified dividends are eligible for a lower tax rate than other ordinary income. Generally, these dividends are shown in box 1b of Form(s) 1099-DIV, Dividends and Distributions. See Pub. 550, Investment Income and Expenses, for the definition of qualified dividends if you received dividends not reported on Form 1099-DIV.

Exceptions. Some dividends may be reported as qualified dividends in box 1b of Form 1099-DIV but aren't qualified dividends. These include the following.

- Dividends received on any share of stock that the ANST held for less than 61 days during the 121-day period that began 60 days before the ex-dividend date. The ex-dividend date is the first date following the declaration of a dividend on which the purchaser of a stock isn't entitled to receive the next dividend payment. When counting the number of days the ANST held the stock, include the day you disposed of the stock but not the day you acquired it.

- Dividends attributable to periods totaling more than 366 days that the ANST received on any share of preferred stock held for less than 91 days during the 181-day period that began 90 days before the ex-dividend date. Preferred dividends attributable to periods totaling less than 367 days are subject to the 61-day holding period rule above.
- Dividends on any share of stock to the extent that the ANST is under an obligation (including a short sale) to make related payments with respect to positions in substantially similar or related property.
- Payments in lieu of dividends, but only if you know or have reason to know that the payments aren't qualified dividends.

Line 3—Capital Gain or (Loss)

Enter the gain from Schedule D, line 11, or the loss from Schedule D, line 12.

Note: Report capital gain distributions on Form 1041-N, Schedule D, line 7.

Line 4—Other Income

List the type and amount of income not included on lines 1a through 3. List the types and amounts on an attached schedule if the ANST has more than one item of other income.

Include on line 4 taxable contributions received from an ANC. See also *Part III—Other Information, Question 1*, later, for additional information that may need to be attached to the return. Include on this line income recognized on the early disposition of noncash property for which the ANST previously made a section 247(g) election. Report on Schedule D the capital gain recognized on such disposition. See *Section 247(g) Election Property*, later, for additional information.

If the ANST is reporting global intangible low-taxed income (GILTI), include it on the attached statement. Complete and attach Form 8992.

Deductions

Allocation of Deductions for Tax-Exempt Income

Generally, no deduction is allowed for any expense that is allocable to tax-exempt income, such as interest on state or local bonds.

Exceptions. State income taxes and business expenses that are allocable to tax-exempt interest are deductible.

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

Limitations on Deductions

Generally, the amount an ANST has “at-risk” limits the loss it can deduct in any tax year. Also, section 469 and its regulations generally limit losses from passive activities to the amount of income derived from all passive activities. Similarly, credits from passive activities are generally limited to the tax attributable to such activities.

For details on these and other limitations on deductions, see *Deductions* in the Instructions for Form 1041.

Miscellaneous itemized deductions subject to the 2% floor will not be allowed for tax years 2018 through 2025.

Line 9—Other Deductions

Attach a schedule listing by type and amount all allowable deductions that aren't deductible elsewhere on the form. No deduction is allowed for distributions to beneficiaries.

An ANST may elect under section 965(n) to determine the amount of the net operating loss (NOL) for a tax year determined under section 172 and the amount of taxable income to be reduced by NOL carryovers or carrybacks to such tax year without regard to certain amounts under section 172. The amount not taken into consideration (the reduction amount) is generally equal to the amount of the section 965(a) inclusion (net of the section 965(c) deduction). If, as a result of an election under section 965(n), the amount of the NOL for the tax year is adjusted, the reduction amount is included in other income on line 4. If, as a result of an election under section 965(n), the taxable income reduced by NOL carryovers or carrybacks is reduced, the NOL deduction on line 4 is reduced by the reduction amount. See section 965(n) and the regulations thereunder for more information.

In determining whether an expense is deductible, it must be determined whether the expense would be “commonly or customarily” incurred by a hypothetical individual owning the same property. A cost incurred by an ANST is an allowable deduction to the extent that it is excluded from the definition of miscellaneous itemized deductions under section 67(b) and commonly or customarily would not be incurred by a hypothetical individual holding the same property.

Include on line 9 the deduction for qualified business income. For information on how to figure the trust's deduction for qualified business income, see Form 8995, Qualified Business Income Deduction Simplified Computation; and Form 8995-A, Qualified Business Income Deduction.

Line 10—Reserved for Future Use

Don’t enter any information on line 10.

Line 11—Exemption

A trust whose governing instrument requires all income to be distributed currently is allowed a $300 exemption, even if it distributed amounts other than income during the tax year. All other trusts are allowed a $100 exemption.

Tax and Payments

Line 14—Tax

If the ANST doesn't have a net capital gain or qualified dividends and has an amount greater than zero on line 13, check the first box on line 14, multiply the amount on line 13 by 10% (0.10), and enter the result on line 14.

Schedule D. If the ANST had a net capital gain (or qualified dividends) and any taxable income, complete Part IV of Schedule D, enter the tax (or -0-, if applicable) from line 28 of Schedule D on line 14, and check the “Schedule D” box.

Line 15—Credits

Specify the type of credit being claimed or form number and attach any required credit forms. If you are claiming more than one type of credit, attach a schedule listing the type and amount of each credit claimed. See the Instructions for Form 1041 for details on the credits that may be claimed.

Line 16—Total Tax

If the ANST owes any additional taxes (for example, recapture taxes), include these taxes on line 16. To the left of the entry space, enter the type and amount of the tax. Also, attach to Form 1041-N any forms required to figure these taxes. See the Instructions for Form 1041 for more details on additional taxes that may apply.

If the ANST shows more than one type of additional tax on this line, attach a schedule showing the type and amount of each tax, and include the total of all additional taxes on this line.

Report on this line of an amended return the additional 10% tax for the year in which the ANST received a contribution of noncash property from an ANC, and elected to defer the recognition of income under section 247(g), but disposed of the property within the first tax year subsequent to the tax year the ANST received the property. The increase in tax due to the inclusion of the deferred income, which is the base amount for the computation of the additional 10% tax shown on this line, should be included on line 14. If the amended return also shows changes to income, deductions, or credits unrelated to the inclusion of the deferred income, attach a schedule showing the computation of the additional tax due only to the inclusion of the deferred income. See also *Part III—Other Information, Question 1*, later, for the statement to be attached to the amended return.

Line 17—Current Year Net 965 Tax Liability Paid

If the ANST made a payment with respect to a current year net 965 tax liability resulting from an S-corporation triggering event, enter on line 17 the amount of the payment reported in Form 965-A, Part II, column (k), for the current year.

Line 18—Payments

Include on line18 any:

- Estimated tax payments made for the tax year;
- Tax paid with a request for an extension of time to file;
- Federal income tax withheld (for example, backup withholding);
- Payment made in the current year with respect to a net 965 tax liability; and
- Credit for tax paid on undistributed capital gains. Attach Copy B of Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains.

Line 19—Elective Payment Election

Enter any elective payment election amount from Form 3800, Part III, line 6, column (j). See the Instructions for Form 3800.

Note: An ANST that has applied for tax-exempt status and been recognized as exempt under section 501(a) should use Form 990-T, Exempt Organization Business Income Tax Return, when making an elective payment election, and should not file Form 1041-N for a period in which the trust is exempt. See the Instructions for Form 990-T.

Line 20—Tax Due

Payments made to the federal government must be processed electronically. Go to *IRS.gov/Payments* for more information on how to make a payment and also see *EFTPS* and *Same-day wire* below.

EFTPS. Payment of the tax due may be submitted electronically through the Electronic Federal Tax Payment System (EFTPS). EFTPS is a free service of the Department of the Treasury.

Go to *IRS.gov/EFTPS* and *EFTPS.gov* for more information.

Same-day wire. Payment of the tax due may be submitted electronically through same-day wire from your financial institution. Contact your financial institution for availability, cost, and time frames. Go to *IRS.gov/SameDayWire* for more information.

Paying by check. Make the check payable to "United States Treasury." Write the donor's taxpayer identification number and "Form 1041–N" to assist us in posting it to the proper account. Go to *IRS.gov/PayByMail* for more information.

Paying by cash. You may be able to pay your balance due with cash at a participating retail store. Go to *IRS.gov/PayByCash* for more information.

Line 21—Overpayment

If you have access to U.S. banking services, you should use direct deposit for any refunds, whenever possible. Go to *IRS.gov/DirectDeposit* for more information.

If there's an overpayment, complete Part II, lines 22c–22e, to enter your banking information and receive your refund by direct deposit.

Line 22a

Credited to next year's estimated tax Enter on line 22a the amount, if any, of the overpayment on line 21 you want applied to your 2026 estimated tax. We will apply this amount to your account unless you include a statement requesting us to apply it to your spouse's account. Include your spouse's social security number in the statement.

Line 22b

Enter the amount of overpayment that you would like to receive as a refund.

Line 22c

The routing number for your financial institution must be nine digits. The first two digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead.

Line 22d

Check the appropriate box for the type of account. Don't check more than one box. You must check the correct box to ensure your deposit is accepted.

Line 22e

The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. Don't include the check number.

Part III—Other Information

Question 1

If you answer "Yes" to this question, attach the following information, as necessary.

Assignment of income under section 139G. Attach a copy of the written assignment received from the ANC. See *Income Assignment From a Native Corporation*, earlier, for how to report the assigned income.

Property for which the ANC made an election under section 247(e). Attach the statement required under section 6039H(e) received from the ANC. If the ANST elects under section 247(g) to defer recognition of income related to any noncash property received from the ANC, clearly identify on the statement for which noncash property the ANST is making the election and describe the property (if the statement from the ANC does not describe it). Include in other income (line 4) the amount of income otherwise required to be recognized by the ANST.

All other property. Attach a description of the property, the date the ANST received the property, and the FMV of the property on that date.

Revocation of prior section 247(g) election by the ANST. Attach a copy of the statement attached to the return on which the ANST made the election. Clearly identify on the statement the noncash property for which the ANST is revoking the prior election. For noncash property for which the ANST is revoking the prior election, include on the appropriate line of the amended return (and attach any required supporting schedules) the additional income the ANST recognized as a result of revoking the election. For each property for which the ANST both revokes the election and does not recognize additional income, attach a statement that identifies such property and the reason for not recognizing additional income.

Early disposition of property for which the ANST made a section 247(g) election. An early disposition of property for which the ANST made a section 247(g) election is a disposition that occurs during the first tax year subsequent to the tax year in which such property was contributed to the ANST. Attach a copy of the statement attached to the return on which the ANST made the election. Clearly identify on the statement the noncash property the ANST sold or exchanged during the tax year. For each early disposition of noncash property, include on the appropriate line of the amended return (and attach any required supporting schedules) the additional income the ANST recognized. For each property sold or exchanged for which the ANST does not recognize additional income, attach a statement that identifies such property and the reason for not recognizing additional income. See also the instructions for line 18 for how to report the additional tax due on the sale or exchange of the asset.

Question 2

The ANST may be required to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts, if any of the following apply.

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

Note: An owner of a foreign trust must ensure that the trust files Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner.

Question 3

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

1. The ANST 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 ANST 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 ANST.

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

Refer to FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to see if the ANST 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 you checked "Yes" for Question 3, electronically file FinCEN Form 114 with the Department of the Treasury using FinCEN's BSA E-Filing System. Because FinCEN Form 114 isn't a tax form, don't file it with Form 1041-N.

Go to *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 (or more in some cases).

Question 4

For tax years beginning after tax years 2015, a domestic trust, including an ANST, that is formed or availed of to hold specified foreign financial assets ("a specified domestic entity") must file Form 8938 with its Form 1041-N for the tax year. Form 8938 must be filed each year the value of the trust's specified foreign financial assets equals or exceeds the reporting threshold. For more information on domestic trusts that are specified domestic entities and the types of foreign financial assets that must be reported, see the Instructions for Form 8938, generally, and in particular, *Who Must File*, *Specified Domestic Entity*, *Reporting Thresholds*, *Specified Foreign Financial Assets*, *Interests in Specified Foreign Financial Assets*, *Assets Not Required To Be Reported*, and *Exceptions to Reporting*.

An ANST required to file Form 8938 with its Form 1041-N for the tax year should check "Yes" for Question 4 in Part III of Form 1041-N.

Question 5

To make the section 643(e)(3) election to recognize gain on property distributed in kind, check the box and complete Schedule D. For more information, see *Section 643(e)(3) Election*, later.

Schedule D—Capital Gains and Losses

General Instructions

Purpose of Schedule

Use Schedule D to report gains and losses from the sale or exchange of capital assets by an ANST.

Details of each transaction must be reported on this schedule. If there are more transactions than spaces on line 1 or 5, you can report the transactions on an attached statement containing all the same information as Schedule D using a similar format. Enter on Schedule D, lines 1 and 5, as appropriate, the totals from all attached statements for lines 1 and 5.

Other Forms You May Have To File

Use Form 461, Limitation on Business Losses, to report the excess business loss that is reported on your noncorporate tax return.

Use Form 965-A, Individual Report of Net 965 Tax Liability, to report the net 965 tax liability.

Use Form 4797, Sales of Business Property, to report the following.
- The sale or exchange of property used in a trade or business.
- The sale or exchange of depreciable and amortizable property.
- The involuntary conversion (other than from casualty or theft) of property and capital assets held for business or profit.
- The disposition of noncapital assets other than inventory or property held primarily for sale to customers in the ordinary course of a trade or business.

Use Form 4684, Casualties and Thefts, to report involuntary conversions of property due to casualty or theft.

Use Form 6781, Gains and Losses From Section 1256 Contracts and Straddles, to report gains and losses from section 1256 contracts and straddles.

Use Form 8824, Like-Kind Exchanges, if the ANST made one or more like-kind exchanges. A like-kind exchange occurs when the ANST exchanges business or investment property for property of a like kind.

Use Form 8938, Statement of Specified Foreign Financial Assets.

Use Form 8992, U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI), to report the ANST's GILTI.

Use Form 8995, Qualified Business Income Deduction Simplified Computation; and Form 8995-A, Qualified Business Income Deduction, to figure the qualified business income deduction.

Capital Asset

Each item of property held by the ANST is a capital asset, except for the following.
- Stock in trade, inventory, or property held primarily for sale to customers.
- Depreciable or real property used in a trade or business.
- Certain patents, inventions, models, or designs (whether or not patented); secret formulas or processes; or similar property (see section 1221(a)(3)).
- Copyrights; literary, musical, or artistic compositions; letters or memoranda; or similar property eligible for copyright protection that the trust received from someone whose personal efforts created them or for whom they were created in a way (such as by gift) that entitled the trust to the basis of the previous owner (in the case of letters, memoranda, or similar property, such property may also be prepared or produced for the trust).

Note: Pursuant to section 1221(b)(3), the trust can elect to treat musical compositions and copyrights in musical works as capital assets if it sold or exchanged them in a tax year beginning after May 17, 2006, and acquired the assets under circumstances entitling it to the basis of the person who created the property or for whom it was prepared or produced.
- Accounts or notes receivable acquired in the ordinary course of a trade or business for services rendered or from the sale of inventoriable assets or property held primarily for sale to customers.
- Certain U.S. Government publications not purchased at the public sale price.
- Certain "commodities derivative financial instruments" held by a dealer (see section 1221(a)(6)).
- Certain hedging transactions entered into in the normal course of the ANST's trade or business (see section 1221(a)(7)).
- Supplies regularly used in the ANST's trade or business.

You may find additional helpful information in Pub. 544, Sales and Other Dispositions of Assets; and Pub. 551, Basis of Assets.

Section 247(g) Election Property

Early disposition of section 247(g) property. An early disposition of property for which the ANST made a section 247(g) election is a disposition that occurs during the first tax year subsequent to the tax year in which such property was contributed to the ANST. The ANST must amend the tax return for the year in which the ANST received the contributed property to report on line 4 the amount of income that would have been included in that year but for the election.

Other dispositions of section 247(g) property. Report on line 4 the amount of income deferred as a result of making the section 247(g) election. Also report any additional gain or

Capital Loss Carryover Worksheet

Use this worksheet to figure the ANST's capital loss carryovers from the current tax year to the following tax year if Schedule D, line 12, is a loss and **(a)** the loss on Schedule D, line 11, is more than $3,000; or **(b)** Form 1041-N, page 1, line 13, is a loss.

1.	Enter taxable income (or loss) from Form 1041-N, line 13		**1.** _____
2.	Enter loss from Schedule D, line 12, as a positive amount		**2.** _____
3.	Enter amount from Form 1041-N, line 11		**3.** _____
4.	Adjusted taxable income. Combine lines 1, 2, and 3. If zero or less, enter -0-		**4.** _____
5.	Enter the **smaller** of line 2 or line 4		**5.** _____
	Note: If line 4 of Schedule D is a loss, go to line 6; otherwise, enter -0- on line 6 and go to line 10.		
6.	Enter loss from Schedule D, line 4, as a positive amount		**6.** _____
7.	Enter gain, if any, from Schedule D, line 10. If that line is blank or shows a loss, enter -0-	**7.** _____	
8.	Add lines 5 and 7		**8.** _____
9.	**Short-term capital loss carryover.** Subtract line 8 from line 6. If zero or less, enter -0-. Enter this loss on the short-term capital loss carryover line of **next year's** Schedule D		**9.** _____
	Note: If line 10 of Schedule D is a loss, go to line 10; otherwise, skip lines 10 through 14.		
10.	Enter loss from Schedule D, line 10, as a positive amount		**10.** _____
11.	Enter gain, if any, from Schedule D, line 4. If that line is blank or shows a loss, enter -0-	**11.** _____	
12.	Subtract line 6 from line 5. If zero or less, enter -0-	**12.** _____	
13.	Add lines 11 and 12		**13.** _____
14.	**Long-term capital loss carryover.** Subtract line 13 from line 10. If zero or less, enter -0-. Enter this loss on the long-term capital loss carryover line of **next year's** Schedule D		**14.** _____

loss on the disposition of property as if there were no section 247(g) election, following these Schedule D instructions.

Note: Section 267 doesn't allow an ANST to claim a loss on the disposition of property to a related party. In addition, when an ANST disposes of depreciable property to a related party, section 1239 applies to deny capital gains treatment for any gain.

Short-Term or Long-Term

Separate the capital gains and losses according to how long the ANST held or owned the property. The holding period for short-term capital gains and losses is 1 year or less. The holding period for long-term gains and losses is more than 1 year.

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

For property received by the ANST from an ANC for which the ANC made an election under section 247(e)(1), the ANST's holding period includes the period the ANC held the property.

Section 643(e)(3) Election

For in-kind noncash property distributions, a fiduciary may elect to have the ANST recognize gain or loss in the same manner as if the distributed property had been sold to the beneficiary at its FMV. If the election is made, the beneficiary's basis of such property is its FMV. This election applies to all distributions made by the ANST during the tax year and, once made, may be revoked only with IRS consent.

Note: Section 267 doesn't allow an ANST to claim a deduction for any loss on property to which a section 643(e)(3) election applies. In addition, when an ANST distributes depreciable property, section 1239 applies to deny capital gains treatment for any gain on property to which a section 643(e)(3) election applies.

For more information on making the section 643(e)(3) election, see *Part III—Other Information, Question 5*, earlier.

Column (d)—Sales Price

Enter either the gross sales price or the net sales price from the sale. On sales of stocks and bonds, report the gross amount as reported to the ANST on Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, or similar statement. However, if the ANST was advised that gross proceeds less commissions and option premiums were reported to the IRS, enter only the net amount in column (d).

Column (e)—Cost or Other Basis

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

For property received by the ANST from an ANC for which the ANC made an election under section 247(e)(1), the ANST's basis in the property is the lesser of the adjusted basis of the ANC in the property immediately before the contribution, or the FMV of the property immediately before the contribution.

If the property was transferred to the ANST and a gift tax was paid under chapter 12, then increase the donor's basis as follows: multiply the amount of the gift tax paid by a

fraction, the numerator of which is the net appreciation in value of the gift (defined below), and the denominator of which is the amount of the gift. For this purpose, the net appreciation in value of the gift is the amount by which the FMV of the gift exceeds the donor's adjusted basis. Then, add the result to the donor's basis.

Adjustments to basis. Before figuring any gain or loss on the sale, exchange, or other disposition of property owned by the ANST, adjustments to the property's basis may be required. See Pub. 551 for additional information.

Column (f)—Gain or (Loss)

Make a separate entry in this column for each transaction reported on lines 1 and 5 and any other lines that apply to the ANST. For lines 1 and 5, subtract the amount in column (e) from the amount in column (d). Enter negative amounts in parentheses.

Line 23

Add line 18 from the Unrecaptured Section 1250 Gain Worksheet and line 7 from the 28% Rate Gain Worksheet.

Exclusion of gain on qualified small business (QSB) stock. Section 1202 allows you to exclude a portion of the eligible gain on the sale or exchange of certain QSB stock.

How to report. Report on line 5 of Schedule D the gain realized on the sale of QSB stock. Complete all columns as indicated. Directly below the line on which you report the gain, enter in column (a) "Section 1202 exclusion" and enter as a loss in column (f) the amount of allowable exclusion. If you are completing line 23 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet; if you excluded 60% of the gain, enter 2/3 of the exclusion; if you excluded 75% of the gain, enter 1/3 of the exclusion. Don't make an entry for any section 1202 exclusion that is 100% of the gain.

For more information about QSB stock, see the Instructions for Schedule D (Form 1041).

Unrecaptured Section 1250 Gain

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

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

Instructions for the Unrecaptured Section 1250 Gain Worksheet

Lines 1 through 3. If the ANST had more than one property described on line 1, complete lines 1 through 3 for each property on a separate worksheet. Enter the total of the line 3 amounts for all properties on line 3 and go to line 4.

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

Step 1. Figure the smaller of (a) the depreciation allowed or allowable, or (b) the total gain for the sale. This is the smaller of line 22 or line 24 of the 2025 Form 4797 (or the comparable lines of Form 4797 for the year of sale) for that property.

Step 2. Reduce the amount figured in Step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of the 2025 Form 4797 (or the comparable line of Form 4797 for the year of sale) for that property. The result is the total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.

Step 3. Generally, the amount of section 1231 gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in Step 2 has been used in full. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received during the tax year as the smaller of (a) the amount from line 26 or line 37 of the 2025 Form 6252 (or comparable lines for the current tax year), whichever applies; or (b) the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 4.

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

Line 12. An example of an amount to include on line 12 is unrecaptured section 1250 gain from the sale of a vacation home previously used as a rental property but converted to personal use prior to the sale.

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

Step 1. Figure the smaller of (a) the depreciation allowed or allowable, or (b) the total gain for the sale. This is the smaller of line 22 or line 24 of the 2025 Form 4797 (or comparable lines of Form 4797 for the year of sale) for that property.

Step 2. Reduce the amount figured in Step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of the 2025 Form 4797 (or the comparable line of Form 4797 for the year of sale) for that property. The result is the total unrecaptured section 1250

Unrecaptured Section 1250 Gain Worksheet

If the ANST isn't reporting a gain on Form 4797, Sales of Business Property, line 7 (for 2025, or the comparable line for the current tax year), skip lines 1 through 9 and go to line 10.

1.	If the ANST has section 1250 property in Part III of Form 4797 for which you made an entry in Part I of Form 4797 (but not on Form 6252, Installment Sale Income), enter the **smaller** of line 22 or line 24 of Form 4797 (for 2025, or the comparable line for the current tax year) for that property. If the ANST did not have any such property, go to line 4. If it had more than one such property, see instructions	**1.**
2.	Enter the amount from Form 4797, line 26g (for 2025, or the comparable line for the current tax year), for the property for which you made an entry on line 1	**2.**
3.	Subtract line 2 from line 1	**3.**
4.	Enter the total unrecaptured section 1250 gain included on line 26 or line 37 of Form(s) 6252 (for 2025, or the comparable line for the current tax year) from installment sales of trade or business property held more than 1 year. See instructions	**4.**
5.	Enter the total of any amounts reported to the ANST on a Schedule K-1 from a partnership or an S corporation as "unrecaptured section 1250 gain"	**5.**
6.	Add lines 3 through 5	**6.**
7.	Enter the **smaller** of line 6 or the gain from Form 4797, line 7 (for 2025, or the comparable line for the current tax year) **7.**	
8.	Enter the amount, if any, from Form 4797, line 8 (for 2025, or the comparable line for the current tax year) **8.**	
9.	Subtract line 8 from line 7. If zero or less, enter -0-	**9.**
10.	Enter the amount of any gain from the sale or exchange of an interest in a partnership attributable to unrecaptured section 1250 gain. See instructions	**10.**
11.	Enter the total of any amounts reported to the ANST on a Schedule K-1, Form 1099-DIV, or Form 2439 as "unrecaptured section 1250 gain" from an estate, trust, real estate investment trust, or mutual fund (or other regulated investment company)	**11.**
12.	Enter the total of any unrecaptured section 1250 gain from sales (including installment sales) or other dispositions of section 1250 property held more than 1 year for which you did not make an entry in Part I of Form 4797 for the year of sale. See instructions	**12.**
13.	Add lines 9 through 12	**13.**
14.	If the ANST had any section 1202 gain or collectibles gain or (loss), enter the total of lines 1 through 4 of the 28% Rate Gain Worksheet. Otherwise, enter -0- **14.**	
15.	Enter the (loss), if any, from Schedule D, line 4. If Schedule D, line 4, is zero or a gain, enter -0- **15.**	
16.	Enter the ANST's long-term capital loss carryover from Schedule D, line 9	**16.** ( )
17.	Combine lines 14 through 16. If the result is zero or a gain, enter -0-. If the result is a (loss), enter it as a positive amount	**17.**
18.	Unrecaptured section 1250 gain. Subtract line 17 from line 13. If zero or less, enter -0-. Combine this result with the result on line 7 of the 28% Rate Gain Worksheet, if any, and enter that result on Schedule D, line 23	**18.**

gain that must be allocated to the installment payments received from the sale.

Step 3. Generally, the amount of capital gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in Step 2 has been used in full. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received during the tax year as the smaller of (a) the amount from line 26 or line 37 of the 2025 Form 6252 (or comparable lines for the current tax year), whichever applies; or (b) the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 12.

Other sales or dispositions of section 1250 property. For each sale of property held more than 1 year (for which an entry wasn't made in Part I of Form 4797), figure the smaller of (a) the depreciation allowed or allowable, or (b) the total gain for the sale. This is the smaller of line 22 or line 24 of Form 4797 (for 2025, or the comparable line for the current tax year) for that property. Next, reduce that amount by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of Form 4797 (for 2025, or the comparable line for the current tax year) for that property. The result is the total unrecaptured section 1250 gain for the sale. Include this amount on line 12.

28% Rate Gain or (Loss)

Complete the 28% Rate Gain Worksheet if lines 10 and 11 of Schedule D are both greater than zero and the ANST reports in Part II, column (f), either:

- A section 1202 gain on QSB stock, or
- A collectibles gain or (loss).

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

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

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

28% Rate Gain Worksheet

1.	Enter the total of all collectibles gain or (loss) from items reported in Schedule D, line 5, column (f)	**1.**
2.	Enter any of the following as a positive number. • Any section 1202 exclusion reported in Schedule D, line 5, column (f), that is 50% of the gain. • 2/3 of any section 1202 exclusion reported in Schedule D, line 5, column (f), that is 60% of the gain. • 1/3 of any section 1202 exclusion reported in Schedule D, line 5, column (f), that is 75% of the gain. Don't make an entry for any section 1202 exclusion that is 100% of the gain. Total	**2.**
3.	Enter the total of all collectibles gain or (loss) from items reported on Schedule D, line 6	**3.**
4.	Enter the total of all collectibles gain from capital gain distributions reported on Schedule D, line 7	**4.**
5.	Enter the long-term capital loss carryover from Schedule D, line 9	**5.** ( )
6.	If Schedule D, line 4, is a (loss), enter that (loss) here. Otherwise, enter -0-	**6.**
7.	Combine lines 1 through 6. If zero or less, enter -0-	**7.**

Schedule K—Distributions to Beneficiaries

Use this schedule to report the type and amount of distributions that were made to each beneficiary. A copy of this schedule must be furnished to the sponsoring ANC. The sponsoring ANC, not the ANST, provides information to the beneficiaries regarding distributions. Distributions for each year are considered to have been made in the following order.

Tier I Distributions (Section 646(e)(1))

These are distributions from the ANST to the extent of the ANST's taxable income, reduced by any income tax paid by the ANST on that income, and increased by any tax-exempt interest income.

Tier I distributions are excluded from the gross income of the beneficiary.

Tier II Distributions (Section 646(e)(2))

These are distributions of amounts that would have been Tier I distributions in prior years (during which a section 646 election was in effect), but that have not, in fact, been distributed in any prior year.

Tier II distributions are excluded from the gross income of the beneficiary.

Tier III Distributions (Section 646(e)(3))

These are distributions considered to have been made by the sponsoring ANC with respect to its stock.

Tier III distributions are taxable to beneficiaries as dividends, to the extent of current or accumulated earnings and profits of the sponsoring ANC (after adjustment for distributions made by the sponsoring ANC during the year). Section 643(e) applies for purposes of determining the amount of a Tier III distribution of property (other than cash).

Tier IV Distributions (Section 646(e)(4))

These are distributions of any amounts that remain after applying the above rules. They are considered as amounts in excess of distributable net income for the year.

Tier IV distributions are excluded from the gross income of the beneficiary.

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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 through *IRS.gov/FormComments*. Or you can send your comments to Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Don't send the tax form to this address. Instead, see *Where To File*, earlier.