

# Instructions for PA-41 Schedule A

## Interest Income and Gambling and Lottery Winnings

### What's New

For tax year 2011, the PA-41, Pennsylvania Fiduciary Income Tax Return Tax Booklet forms and schedules will not be printed or mailed.

The PA-41 Schedule A/B/J is no longer available. It has been replaced by separate schedules A, B and J which are available on the department's website under Forms and Publications for personal income tax.

Forms and schedules can also be obtained through one of the Forms Ordering Services. See Forms and Publications in the left navigation menu on the department's website or refer to Taxpayer Services and Assistance in the PA-41, Fiduciary Income Tax Return instructions.

### General Information

#### Purpose of Schedule

Use PA-41 Schedule A to report interest income and gambling and lottery winnings of estates and trusts.

### Form Instructions

#### Name

Enter the complete name of the estate or trust as shown on the PA-41, Fiduciary Income Tax Return.

#### FEIN or Decedent's SSN

Enter the 9-digit federal employer identification number (FEIN) of the estate or trust or the decedent's Social Security number as shown on the PA-41, Fiduciary Income Tax Return.



An estate with a FEIN should not use the decedent's Social Security number.

### Line Instructions

#### Line 1

##### Interest Income

All taxable interest income must be reported. If the estate or trust has Pennsylvania-taxable interest income that is more than \$2,500, it must complete PA-41 Schedule A, with the name and Pennsylvania-taxable interest of the payer from each federal Form 1099-INT or other statement.

Pennsylvania-taxable interest income includes interest from:

- Savings and loan associations;
  - Credit unions, even if reported as dividends on your statement;
  - Bank deposits;
  - Bonds (except as noted below);
  - Certificates of deposit;
  - Interest-bearing personal checking accounts;
  - Pennsylvania, federal and local tax refunds;
  - Other deposits, investments, and obligations;
  - GNMA and FNMA certificates and other obligations that are guaranteed by the U.S. Government, but not direct obligations of the U.S. Government;
  - Obligations of other states or countries;
  - Mutual savings banks and cooperative banks, even if reported as dividends;
  - Income from any amount paid under contract of life insurance, or endowment or annuity contract which is includable in gross income for federal income tax purposes
- Pennsylvania-taxable income does not include interest from:
- > Direct obligations of the U.S. Government (U.S. Treasury Bonds, Notes, Bills, Certificates, and Savings Bonds);
  - > Direct obligations of the Commonwealth of Pennsylvania;

> Direct obligations of political subdivisions of Pennsylvania.

For a list of exempt obligations, request REV-1643, Tax-Exempt Obligations for PA Personal Income Tax Purposes.

#### Line 2

##### Total Interest Income

Add all amounts listed from Line 1 including amounts on additional schedules.

#### Line 3

##### Interest Income from Partnerships from PA Schedules RK-1

If the estate or trust is a partner in a partnership or a member in an entity formed as a limited liability company that is classified as a partnership for federal income tax purposes, the estate or trust will receive a PA-20S/PA-65 Schedule RK-1 showing its share of any interest income.

Report the amount of any interest income from PA-20S/PA-65 Schedule RK-1, Line 2 on PA-41 Schedule A, Line 3 or Line 4.

Submit all such schedules to support the amount reported on PA-41 Schedule A. Include a copy of federal Form 1065 Schedule K-1 if a PA-20S/PA-65 Schedule RK-1 is not supplied by the partnership, or entity formed as a limited liability company that is classified as a partnership for federal income tax purposes. If the estate or trust receives only a federal Form 1065 Schedule K-1, the estate or trust must adjust and classify the income from the federal Form 1065 Schedule K-1 according to Pennsylvania rules. See the PA PIT Guide, Chapter 16, Pass Through Entities, for additional information on the adjustments required and the proper classification of income.

If the estate or trust realizes income from more than one partnership, provide a statement showing the FEIN, name and amount

of distributable/distributed income by the partnership. Also include the PA-20S/PA-65 Schedules RK-1 and/or federal Form 1065 Schedules K-1 when filing your PA-41, Fiduciary Income Tax Return.

---

## **Line 4**

### **Interest Income from S Corporations from PA Schedules RK-1**

If the estate or trust is an owner of an S corporation or entity formed as a limited liability company that is classified as a S corporation for federal income tax purposes, the estate or trust will receive a PA-20S/PA-65 Schedule RK-1 showing its share of any interest income.

Report the amount of any interest income from PA-20S/PA-65 Schedule RK-1, Line 2 on PA-41 Schedule A, Line 3 or Line 4.

Submit all such schedules to support the amount reported on PA-41 Schedule A. Include a copy of federal Form 1120S Schedule K-1 if a PA-20S/PA-65 Schedule RK-1 is not supplied by the S corporation or entity formed as a limited liability company that is classified as a S corporation for federal income tax purposes. If the estate or trust receives only a federal Form 1120S Schedule K-1, the estate or trust must obtain a PA-20S/PA-65 Schedule RK-1 from the entity. The department will only permit the estate or trust to adjust and reclassify the income from the federal Form 1120S Schedule K-1 according to Pennsylvania rules in limited circumstances. See the PA PIT Guide, Chapter 16, Pass Through Entities, for additional information on the adjustments required and the proper classification of income.

If the estate or trust realizes income from more than one PA S corporation, provide a statement showing the FEIN, name, and amount of distributable/distributed income by the PA S corporation. Also include the PA-20S/PA-65 Schedules RK-1 and/or federal Form 1120S Schedules K-1 when filing your PA-41, Fiduciary Income Tax Return.

---

## **Line 5**

### **Gambling and Lottery Winnings**

Enter the amount of any taxable gambling and lottery winnings of the estate or trust.

*Example.* A Pennsylvania resident wins the Powerball on a ticket purchased in Maryland and elects the annuity payment option. A trust was established for the purpose of receiving the annual payout from the Maryland Lottery. Since the Powerball lottery ticket was purchased in Maryland, the winnings are taxable to a Pennsylvania resident trust. Therefore, the resident trust is required to report the income on PA Schedule A, Line 5 and on the PA-41 Fiduciary Income Tax Return, Line 1.

#### **Resident Estates and Trusts**

Report the amount of any gambling winnings from sources inside and outside the commonwealth. Report the amount of any lottery winnings from all lotteries other than the Pennsylvania Lottery.

#### **Nonresident Estates and Trusts**

Report the amount of any gambling winnings from Pennsylvania sources or lottery winnings from sources within Pennsylvania other than the Pennsylvania Lottery.



Nonresident estates and trusts with Pennsylvania resident beneficiaries should report the income on PA Schedule A, Line 5 as if a resident estate or trust.

---

## **Line 6**

### **Total Interest Income and Gambling and Lottery Winnings**

Add Lines 2, 3, 4 and 5. Enter on Line 1 of the PA-41, Fiduciary Income Tax Return.