

This booklet contains the 1999 PA Fiduciary Income Tax Forms
& instructions for resident and nonresident estates or trusts.

1999 PA-41

1999 PENNSYLVANIA FIDUCIARY INCOME TAX FORMS & INSTRUCTIONS

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New for 1999 Returns

2000 Estimated Tax Installment Payments

On January 1, 2000, the income limit for PA estimated taxes increases to \$8,000. See the instructions on page 5.

Reminders for 1999 Returns

Identification Label. Within this booklet is an insert with a preprinted label for the estate or trust. Affix this label to the 1999 PA-41. Verify the Federal Employer Identification Number, or decedent's Social Security Number, if you do not have an EIN. Verify the name of the estate or trust and all other information on the label. **Do not** use the label unless it is completely correct. **Do not** make any corrections to the label. Print the correct information for the estate or trust on the PA-41. Completely fill in the Estate or Trust Identification Information oval that tells us that the information entered is corrected or new.

Electronic Data Imaging. The Department of Revenue uses imaging to enter tax return information to its computer system. The Department's equipment takes an image of a PA tax return and reads the information in the boxes. Please follow the instructions on page 2 for entering information. Printing neatly will insure the equipment correctly reads the information and amounts. If you have a correct label, please use it.

Credit Lines. The following credits are available to qualifying estates or trusts.

- Jobs Creation Tax Credit
- Waste Tire Recycling Investment Tax Credit, and
- Research and Development Tax Credit.

See the instructions for PA Schedule OC, Other Allowable Credits for PA Fiduciary Income Tax Purposes, on page 10.

PA and Federal Schedules and Forms. IMPORTANT. Estates or trusts must classify income and losses according to PA law. You may not use a loss in one class of income to reduce income in another class. Complete the Tax Due and Overpayment lines. If there is an Overpayment, be sure the refund and/or credit line amounts are accurate. Use PA schedules to report the correct PA amounts. Read the instructions for each income class. PA Schedules A and B are in this booklet. You may request other PA schedules from Forms Ordering on page 2. **CAUTION.** If you wish to start with the amounts on Federal Schedules B, C, F and/or E, you **must** also provide a detailed statement of the nature and amount of any adjustments made for PA purposes. **IMPORTANT.** Amounts from the Federal Form 1041 **may not** be correct for the PA-41. See the instructions for each class of income to determine when a federal schedule is appropriate. Read all instructions carefully before completing the PA-41.

Continued on page 2.

BULK RATE
U.S. POSTAGE
PAID
COMMONWEALTH
OF PENNSYLVANIA
DEPARTMENT OF
REVENUE



Bureau of Individual Taxes
Harrisburg, PA 17128-0505

Payment Voucher. This booklet includes a form PA-V on the insert for paying any PA Fiduciary Income Tax due. When filing, place the PA-V and check in the same envelope with the PA-41. The Department uses this form for automated payment processing. If any of the preprinted information on the PA-V is incorrect, **Do not use it.** Follow the PA-V instructions. If the estate or trust does not owe any tax, **Do not** use the PA-V for any other tax payment — **Discard it.** If you did not receive a personalized tax booklet or Form PA-V from the Department, you must submit your payment with your paper PA tax return. Please do not staple your check to your return.

School District Code. Enter the school district code for the estate or trust. The Department of Revenue uses these codes to provide information to the PA Department of Education. Using a wrong or incorrect code may affect a school district's funding.

Math Errors. Double-check all calculations before filing the PA-41.

Mailing Instructions. See page 8.

Electronic Data Imaging.

➔ If any of the information on the label is wrong, **Do not** use it. **Do not** make any corrections on the label — destroy it.

MCDONALD THOMAS J TRUST 71 - 55 53 6 6 3

➔ Print all information inside the boxes.

THEADORE E VALL 415 - 55 - 43 33

➔ Print one number or letter in each box.

1957 VALLEY VIEW RD

➔ Please print in black ink. Use capital letters. **Do not use red ink or pencil.**

HARRISBURG PA 17129

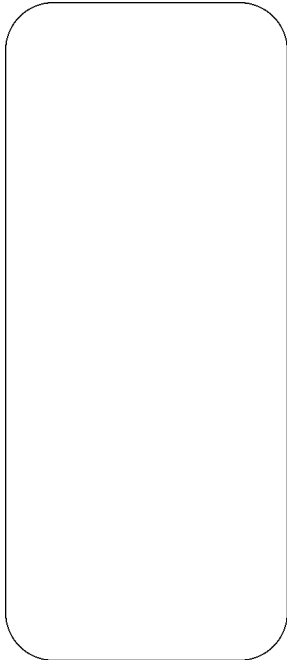
➔ If the name, address, or city begins with a prefix (Mc, Van, O', etc.), do not enter a space or a punctuation mark.

➔ Leave a blank box between words.

➔ There is one line for the address. If there is a suite, room number, box number, floor, etc., use the postal format and enter it first, then the street address.

➔ Fill in all the appropriate ovals completely.

717 - 555 - 1352



FORMS ORDERING SERVICES

To obtain another PA-41 booklet, single copies of any PA Personal Income Tax form, or any of the brochures, use one of these services.

FACT & Information touch-tone telephone service (including forms by fax)
1 - 888 - PATAXES (1-888-728-2937)



Toll-free Forms Ordering Message Service
1-800-362-2050 serving taxpayers without touch-tone phone service.



Services for taxpayers with special hearing and speaking needs
1-800-447-3020 (TT only)



Tax Forms Service Unit for written requests:
 PA Department of Revenue • Tax Forms Service Unit • 711 Gibson Boulevard
 Harrisburg, PA 17104-3200



Department's Internet home page offers filing options & information at
http://www.revenue.state.pa.us



E-mail us at
parev@revenue.state.pa.us

◆ Visit the Department's district office nearest you ◆

Free!

The Department has developed a number of brochures to provide information about PA taxes. For a current list of brochures available, please check our web site.

Tax Rate. For calendar year 1999 and fiscal years beginning in 1999, the PA tax rate is 2.8 percent (0.028).

Who Must File a Fiduciary Income Tax Return PA-41?

- The fiduciary of a resident estate or irrevocable trust that received taxable income during its taxable year.
- The fiduciary of a nonresident estate or irrevocable trust that received taxable income allocable to Pennsylvania during its taxable year.
- If two or more fiduciaries are acting jointly, one of the fiduciaries must file the return.

What is an Estate? For PA Personal Income Tax purposes, an estate is the estate of a deceased individual, and **does not** include the estates of incompetents, bankrupts, or insolvents.

What is a Trust? For PA Personal Income Tax purposes, a trust is a trust created by a will and all irrevocable express trusts taking effect during the lifetime or after the death of the settlor. A trust does not include:

- A revocable trust (see **Revocable Trusts** below)
- A charitable trust (see **What is a Charitable Trust?** below)
- A resulting or constructive trust created by operation of law
- A trust created exclusively for the benefit of creditors
- A principal and agent relationship
- A business trust or real estate investment trust
- A trust created exclusively for the benefit of employees, their families, or appointees under an employee benefit plan
- A pension trust or profit-sharing trust
- A trust that is a common trust fund for Federal Income Tax purposes
- A trust:
 - (a) For which no part of the income or corpus may possibly benefit any PA Personal Income Tax taxpayer;
 - (b) For which no part of the property consists of property transferred to it (or another trust) by any PA Personal Income Tax taxpayer; and
 - (c) Created by an entity or enterprise other than a PA Personal Income Tax taxpayer.

NOTE. For purposes of (a), (b), and (c), a PA Personal Income Tax taxpayer means any individual, estate, trust, partnership, or PA S corporation.

What is a Charitable Trust? A charitable trust is one operated exclusively for religious, charitable, scientific, literary, or educational purposes. A trust is a charitable trust only if all the net earnings for the taxable year and remaining life of the trust are for distribution for such purposes. No part of the earnings of a charitable trust may benefit any private individual.

Federally qualified charitable remainder annuity trusts and charitable remainder unitrusts are not charitable trusts if, during the current taxable year:

- a) Any part of the trust's retained earnings may benefit any private individual in subsequent years; or
- b) Any part of the trust's income is required to be currently distributed or is distributed or credited to any private individual.

A charitable trust does not include trusts for the care, maintenance, or improvement of the burial lots of the settlor, or the testator, or his or her family.

Trusts for the general care, maintenance, or improvement of public or church cemeteries are charitable trusts.

What is a Revocable Trust? A revocable trust is:

- A tentative or Totten trust; or
- An express trust when the governing instrument reserves in the settlor:
 - a) The power to revoke the trust as an entirety without the declaration of new uses or the consent of any other party, and
 - b) The concurrent power to revest in himself or herself legal title to the corpus of the trust, without the consent of any other party.

How Pennsylvania Taxes Estates, Irrevocable Trusts, and Beneficiaries. The taxable income of an estate or irrevocable trust is the current income that it retains for

future distribution or disbursement or currently applies to discharge, satisfy, or reduce any person's or its own obligations.

Each estate or irrevocable trust must classify and report all income, gain, and losses realized in the appropriate PA income class; however, each beneficiary only reports the PA taxable income distributed or distributable. Each beneficiary should receive a PA Schedule Land report the income as Estate or Trust Income.

The amount of taxable income is each beneficiary's share of the 1999 PA income that the estate or trust must distribute, credit, or pay to each beneficiary under its governing instrument and applicable state law. The estate or trust must report each beneficiary's share of taxable income on a separate PA Schedule L. The estate or trust must also attach to the PA-41, a PA Schedule L showing **all** the distributions to **all** of the beneficiaries. The instructions for PA Schedule L begin on page 9.

An irrevocable trust (and its beneficiaries) and an estate (and its beneficiaries) are not subject to tax on income set aside exclusively for charitable purposes.

Grantor Trusts. PA law varies from federal law regarding grantor trusts. For federal purposes, under certain conditions, the grantor or person who has substantial dominion or control over the trust income or corpus, rather than the trust or its beneficiaries, reports the income. These federal rules are inapplicable for PA Fiduciary Income Tax purposes. Unless the grantor trust is a revocable trust (see **What is a Revocable Trust?** above), grantor trusts are taxed according to the same PA Personal Income Tax rules that apply to other irrevocable trusts.

How Pennsylvania Taxes Common Trust Funds and their Participants. Income of a common trust fund, maintained by a bank in its capacity as trust or administrator, is taxable to and reportable by each participant in the common trust fund as Estate or Trust Income, whether distributed or not.

What is a Resident and Nonresident Estate or Trust? A resident trust is:

- a) A trust created by the will of a decedent who at the time of death was a PA resident individual;
- b) A trust consisting of property transferred to a trust by a person who at the time of such transfer was a PA resident; or
- c) A trust created by a person who at the time of such creation was a PA resident.

A nonresident estate or a nonresident trust is any estate or irrevocable trust that is not a PA resident estate or resident trust. An inter vivos trust is also a nonresident if all of the following conditions are met:

- The assets of the trust currently consist in no part of real property or tangible personal property located within the Commonwealth or intangible personal property, the documents, certificates or other instruments evidencing which are physically located, or have a business situs, within the Commonwealth.
- The trust is taxable as a resident elsewhere for the period in question.
- The trust has no resident fiduciary, beneficiary, or remainderman.
- All administration, accounting, bookkeeping, and sales and purchases currently take place outside the Commonwealth.
- The settlor is no longer a resident of the Commonwealth or died a nonresident of the Commonwealth.
- The settlor is not a resident at the times when during his or her lifetime:
 - a) Application is made to a court concerning the trust; or
 - b) He or she or another might have exercised a reserved power of revocation.
- A Pennsylvania court having jurisdiction of the trust has directed that the situs of the trust be changed to a place outside the Commonwealth, and the courts of such place have assumed jurisdiction to adjudicate disputes involving the trust or order accountings to protect the trust corpus, beneficiaries, and remaindermen.

How Pennsylvania Taxes Resident Estates or Trusts. Pennsylvania taxes the income of a resident estate or trust from sources both inside and outside Pennsylvania. A resident estate or trust may claim a Resident Credit, if it is subject to and pays income tax to another state or country on income taxable, in the same taxable year, to both Pennsylvania and the other state or country. This credit cannot exceed the amount of PA tax the estate or trust owes. To claim the Resident Credit, the estate or trust must attach a completed PA Schedule G. See **Forms Ordering** on page 2.

How Pennsylvania Taxes Nonresident Estates or Trusts or Nonresident Beneficiaries. Pennsylvania taxes the income of a nonresident estate or trust from Penn-

sylvania sources. A nonresident estate or trust must ignore items of income, loss, cost, expense, and liability that are not directly related to Pennsylvania when computing its PA taxable income.

The taxable income of a nonresident beneficiary from a resident or nonresident estate or irrevocable trust is the taxable income received by the estate or trust for its taxable year that:

- Under the governing instrument and applicable state law, the estate or trust distributed, or must distribute currently, credited, or paid to the beneficiary; and
- Is from PA sources.

To obtain information on allocating and apportioning for PA purposes, order the PA-65I, [Information for Partnerships Booklet](#). See [Forms Ordering](#) on page 2.

Special rules apply to each of the following:

- Net gains, or income or loss, derived through PAS corporations, partnerships, and other estates or trusts
- Net income or loss from the operation of a business, profession, or farm
- Net gain or loss from the disposition of tangible property
- Net gain or loss from the disposition of intangible personal property
- Net income or loss from the ownership of property

What Is Taxable Income? Estates or trusts must report taxable income, or loss, realized from the following six classes:

- PATaxable Interest (see page 6)
- PATaxable Dividends (see page 6)
- Net Income or Loss from the Operation of a Business, Profession, or Farm (see page 6)
- Net Gain or Loss from the Sale, Exchange, or Disposition of Property (see page 6)
- Net Income or Loss from Rents, Royalties, Patents, or Copyrights (see page 7)
- Estate or Trust Income (see page 7)

Costs and Expenses. A fiduciary may deduct only the ordinary, necessary and reasonable costs and expenses directly incurred in realizing income or loss from:

- The operation of a business or farm;
- The sale, exchange, or other disposition of property; and
- The receipt of rental or royalty income.

Such expenses are deductible in determining the amount of net profits, net gains and net rental, royalty, patent, and copyright income.

CAUTION. A fiduciary may not deduct any expenses for administering an estate or trust. A fiduciary may not deduct costs and expenses attributable to earning or receiving dividend income, interest income, and income from other estates or trusts. These expenses are not allowable:

- Fees related to administering the estate or trust
- Inheritance, succession, estate, or gift taxes or taxes based on income
- Funeral expenses
- Expenses for preservation or maintenance of non-income producing property
- Expenses related to exempt income
- Satisfaction of personal debts of the decedent

Gains or Losses. Estates or trusts cannot offset income in one PA income class with a loss in any other PA income class. Estates or trusts cannot carry income or losses back or forward to other tax years. Attach the appropriate completed schedule for the income, gain, or loss reported. **IMPORTANT.** If the estate or trust realized a net loss in an income class, enter the amount of the loss on the appropriate line on the PA-41 and completely fill in the oval next to that line.

Tax Year. For Pennsylvania, an estate or trust must use its federal taxable year.

Members of Partnerships and PA S Corporations.

If the estate or trust is a member of a partnership or a shareholder in a PA S corporation, it must report its share of the income or loss, whether distributed or not, in the same class in which the partnership or PA S corporation received the income.

Each resident estate or trust that is a partner or PA S shareholder must attach to its PA-41 the PA Schedule RK-1 it receives from the partnership or PA S corporation. Each

nonresident estate or trust that is a partner or PA S shareholder must attach to its PA-41 the PA Schedule NRK-1 it receives from the partnership or PA S corporation.

IMPORTANT. Federal income rules relating to federally qualified subchapter S trusts and federally electing small business trusts are inapplicable for PA Personal Income Tax purposes. Unless the trust is a revocable trust (see [What is a Revocable Trust](#) on page 3), qualified subchapter S trusts and federally electing small business trusts are taxed according to the same rules as apply to other irrevocable trusts.

Special Rules. The fiduciary determines all of the following under the terms of the governing instrument and the laws applicable to the administration of estates or trusts:

- Whether an item of receipt or expense is allocable to corpus or income; and
- What part, if any, of the undistributed net income of a trust (for administration purposes) is required to be added to corpus; and
- Whether property distributed in kind is distributed as a gift or bequest of specific property; and
- Whether an amount is properly paid out of corpus as a gift or bequest of a specific amount of money; and
- Whether payment of a distribution is directed without reference to the existence or absence of income; and
- Whether the estate or trust must distribute an amount, and whether it pays such amount out of income or corpus, or it may pay such amount out of either income or corpus.

The specific provisions of the governing instrument control when it specifically provides the source from which amounts are to be permanently set aside or used. In determining whether an amount is set aside or used for a purpose includes particular items of income received by an estate or trust. In the absence of specific provisions in the governing instrument, the amount shall be deemed to consist of the same proportion of each class of the items of income of the estate or trust as the total of each class bears to the total of all classes.

In determining whether income derived from a partnership, PA S corporation, estate, or trust is required to be distributed currently, or is distributed or credited to a beneficiary, the excess of the PA taxable income derived through such partnership, PA S corporation, estate, or trust over the amount of distributions or withdrawals therefrom shall be considered to be income that is required to be retained, accumulated, or set aside.

Amounts disbursed to pay taxes measured by the income for another taxable period may not be treated as a set aside from current income. Amounts disbursed to pay nondeductible trustee commissions and legal and accounting expenses and other current expenses that do not reduce the amount of taxable or nontaxable income or gain of the trust for the taxable year shall be treated as nontaxable income or gain for the taxable year which is required to be accumulated, retained or set aside if total distributions for the year do not equal or exceed the excess of total taxable and nontaxable income received by the trust for the taxable year over total taxable and nontaxable income received by the trust or estate for the taxable year which is required to be accumulated, retained or set aside for future distribution. If total distributions for the year do equal or exceed the excess of total taxable and nontaxable income received by the trust for the taxable year over total taxable and nontaxable income received by the trust or estate for the taxable year, which is required to be accumulated, retained or set aside for future distribution; however, the amounts shall be treated as distributions by the trust or estate and beneficiaries.

When to File? The fiduciary must file for a 1999 calendar year estate or trust by midnight, Monday, April 17, 2000. The U.S. Postal Service postmark date on the envelope is proof of timely filing. The PA-41 for a fiscal year beginning in 1999 is due on or before the 15th day of the fourth month following the close of the fiscal year. The PA-41 for a short year is due the 15th day of the fourth month following the close of the short year.

Extension of Time to File. Pennsylvania will honor the federal extension of time to file the Form 1041. The fiduciary may also request an extension from the Department of Revenue by submitting form REV-276, [Application for Extension of Time to File](#), see [Forms Ordering](#) on page 2. Follow the instructions on the PA extension form.

Fill in the **Extension Enclosed** oval on the PA-41, and include the federal or PA extension with the PA-41.

IMPORTANT. An extension of time to file the PA-41 does not extend the time to pay the Fiduciary Income Tax due. An extension cannot exceed six (6) months, unless the fiduciary is outside the United States. If the fiduciary expects the estate or trust to owe tax, the fiduciary must submit the extension form and pay the tax due in sufficient time before the due date so the Department may consider and act upon it. Include the extension payment on Line 11 of the PA-41. The Department will not send an approval letter for the extension unless there is a question concerning the extension request.

The Department will assess underpayment penalty if:

- The estate or trust does not pay at least 90% of the 1999 tax due by April 17, 2000, and
- The estate or trust does pay the remaining balance with a timely filed PA-41.

The Department will charge interest on the amount not paid by April 17, 2000.

2000 PA Estimated Fiduciary Income Tax Requirements. If the estate or trust expects more than \$8,000 of PA taxable income in 2000, file a declaration of PA Estimated Tax and make installment payments. **CAUTION.** If the estate or trust paid \$224 on the 1999 PATax return and expects the same in 2000, make estimated tax payments. The Department sends estimated tax forms to estates and trusts that paid 1999 estimated taxes. If you do not receive the 2000 estimated tax forms for the estate or trust, contact the nearest Department district office or see **Forms Ordering** on page 2. If making estimated tax payments for the first time, request form P A-40ESR, instructions REV-413F, and worksheet REV-414F.

Filing Amended Returns. It is not necessary to attach a complete copy of the original PA-41. Use a PA-41 from the same tax year you are amending. For example: To amend for 1998 and 1999, use another 1998 and another 1999 PA-41.

Clearly print **AMENDED RETURN**, or fill in the oval on the PA-41, and, follow these steps:

1. Enter the amounts from the original PA-41 that you are not amending.
2. Enter the amended amounts. Explain the reason for amending, and attach the forms or schedules supporting the amended amounts.
3. Calculate the amended Net PATaxable Income.
4. Calculate the PATax Liability. If the estate or trust received a refund on its original PA-41, add that amount to the PATax Liability.
5. Calculate the Total Payments and Credits. If the estate or trust paid tax with its original PA-41, add that payment to the Total Credits and Payments.
6. Calculate the amended Tax Due or Overpayment. If an overpayment, be sure to complete Lines 17 and 18.

The Department will take the original refund or payment into account when reviewing the amended PA-41. Be sure to sign the amended return. Mail the amended return, with all explanations and attachments, to:

**PA Department of Revenue
Bureau of individual Taxes
Dept. 280502
Harrisburg, PA 17128-0502**

Overpaid PAFiduciary Income Tax. If the estate or trust overreported its income or did not claim allowable credits on its original PA-41, the fiduciary must file an amended PA-41 within three years from the original due date or the extended due date. **IMPORTANT.** You may not file an amended PA-41 after the Department issues an assessment, if the amendment relates to the same taxable year and assessed item of income, gain, deduction, or loss. In this instance, either file a timely petition for reassessment or pay the assessment and file a timely refund petition for a refund. To order the **Petition**, REV-65, see **Forms Ordering** on page 2.

Underreported Income. If, at any time after filing the PA-41, the estate or trust discovers that it underreported the tax, or erroneously claimed unallowable credits or deductions as a result of incomplete information, the fiduciary must correct the error within 30 days by filing an amended PA-41. The estate or trust must pay the additional tax, plus applicable penalty and interest.

Records Must Be Maintained. All amounts reported on the PA-41 and accompanying schedules are subject to verification and audit by the Department. The fiduciary must retain books and records for at least four years after filing to verify any information reported on the PA-41.

Penalties for Not Filing or for Filing a Late Return. If the estate or trust does not file its PA-41 timely, PA law imposes a penalty, unless the estate or trust can show reasonable cause for late filing. The penalty is 5 percent for each month or fraction of a month that the PA-41 is late. The maximum penalty is 25 percent. The minimum penalty is \$5. Any estate or trust that attempts to evade or defeat their PA Fiduciary Income Tax responsibility is subject to prosecution.

Interest for Nonpayment or for Late Payment of the Tax. If the estate or trust does not pay its tax by the due date, PALaw imposes interest from the due date to the date of payment. The annual interest rate is that rate established by the U.S. Secretary of the Treasury and which is in effect on January 1 of each calendar year.

Other Penalties. PALaw also imposes:

- a) A 5 percent underpayment penalty, if the estate or trust does not pay the full amount of its tax due by the original due date.
- b) An additional penalty of 25 percent of the tax due on the unreported income, if the estate or trust does not report an amount of taxable income that is more than 25 percent of the taxable income that it reported on the PA-41.

The Department will charge these penalties if the underpayment of tax is due to negligence or intentional disregard of rules and regulations, but without intent to defraud. **IMPORTANT.** The Department may assess both late filing and underpayment penalty if the fiduciary files the PA-41 after the due date, or extended due date, and does not pay the tax due by the original due date.

PALaw also may impose:

- a) An addition of 50 percent of the underpayment to the tax due, if any part of any underpayment is due to fraud.
- b) A \$500 penalty if the estate or trust:
 - Files a return that does not contain sufficient information on which to determine its correct liability; and
 - Files a return that contains information that indicates the liability is significantly incorrect, and
 - Files a return frivolously, or in a manner to delay or impede the administration of the tax law.
- c) A penalty of \$50 for each instance when any person required to furnish an information return either furnishes a false or fraudulent return, or fails to furnish an information return.

Governing Instrument. The Department does not require a copy of the governing instrument with the PA-41, but the estate or trust must make it available upon request.

INSTRUCTIONS FOR COMPLETING THE PA-41

Identification Number. Enter the EIN of the estate or trust on all schedules attached to the return. If you do not receive an EIN from the Federal Government, enter the Social Security Number of the decedent.

Name and Address. If you do not have a preprinted label, print the name of the estate or trust, as described below, the name and the title of the fiduciary and the fiduciary's complete address, ZIP Code and daytime telephone number. Print the name and EIN of the estate or trust on each schedule attached to the PA-41.

Please enter the name of the estate or trust in this form:

For an estate: Taxpayer's last name, first name and middle initial

Example. Taxpayer, John T. Estate of

For a trust: Taxpayer's last name, first name and middle initial

Example. Taxpayer, Mary S. Trust

School District Code. You must complete the school district code. The school district names and codes are on pages 11 and 12. For estates and testamentary trusts, use the school district code where the decedent lived immediately prior to death. For inter vivos trusts, use the school district code where the settlor of the trust resided on the date he or she created the trust. Enter 99999, if the decedent or settlor was not a PA resident. **CAUTION.** Do not use the school district of the fiduciary administering the estate or trust. **EXAMPLE:** A resident of Erie creates a trust. The fiduciary is a bank in Pittsburgh. The correct school district code on the PA-41 is Erie City, not Pittsburgh.

Estate or Trust Identification Label. Fill in this oval if any of the identification or filing information is different from the 1998 PA-41, or if the estate or trust did not file a 1998 PA-41. **Destroy the label if it is incorrect.**

Fiscal Year or Short Year. If this return is for a period other than a calendar year, including a short year, fill in this oval. Enter the beginning and closing dates of the taxable year.

Type Filer. Fill in only one oval. Enter the name of the other state or country, if a non-resident estate or trust.

Final Return. Fill in this oval if this is the final PA-41 that the estate or trust must file. Enter the ending date. Record any income and distributions from the beginning of the year to the date of closing. Attach a statement explaining the reason for the final return, such as termination or transfer of jurisdiction.

Do You Want a 2000 PA-41 Booklet? If you do not use the forms provided by the Department, fill in this oval. If your preparer does not use the Department's forms, fill in this oval. The estate or trust will not receive a booklet next year, but will receive a label and a preprinted PA-V, Payment Voucher.

LINE INSTRUCTIONS FOR COMPLETING THE PA-41

Schedules. Attach all required schedules. Enter the estate or trust name and EIN or decedent's SSN on all schedules. The schedule instructions begin on page 8.

Line 1. Interest Income. The PA Schedule A instructions are on page 8. PA taxable interest includes interest received during the taxable year from bank deposits, bonds, certificates of deposit, interest-bearing checking accounts, tax refunds, or other obligations, etc. Report dividends paid by savings and loan associations, mutual savings banks, cooperative banks and credit unions on deposits, or withdrawals from accounts as interest.

Generally, Form 1099 issued by financial institutions will indicate the amount of interest from such institutions. Interest from GNMA and FNMA certificates is taxable for PA purposes. Interest received from obligations of other states and countries is PA taxable income. Also include interest from PA Schedules RK-1 or NRK-1 received as a partner or PA S corporation shareholder. If the estate or trust received only a Federal Schedule K-1, classify interest income according to PA rules.

PA Tax Exempt Interest. Do not report interest received from direct obligations of the Commonwealth of Pennsylvania, or its political subdivisions, and from direct obligations of the United States. Interest from Series E, F, G, H and EE bonds, federal treasury bills and notes is not taxable. Interest received from obligations of federal instrumentalities is not taxable. For a complete list of exempt obligations, request form REV-1643, **Tax Exempt Obligations for PA Personal Income Tax Purposes**. See **Forms Ordering** on page 2.

Distributions from Money Market and Mutual Funds and other Investment Companies. Estates or trusts must report distributions from the earnings and profits of money market or mutual funds, investment trusts, and investment companies as dividend income on Line 2, not as interest income.

Forfeited Interest Penalty. Estates or trusts may use forfeited interest penalty, incurred for premature redemption or withdrawal of a time savings account or certificate of deposit, to offset only the interest income from that account or certificate. It may not offset other interest income. If the total penalty exceeds the interest on an account or certificate, the excess is a loss on PA Schedule D.

Interest Received by Nonresident Estates or Trusts. Generally, interest received by nonresident trusts or estates is **not taxable** even when paid by a PA bank. Interest is taxable to a nonresident only if derived from the ownership or disposition of real or personal tangible property in PA, or received in connection with a business carried on in PA.

Line 2. Dividend Income. The PA Schedule B instructions are on page 8. Include all dividend income received during the taxable year on Line 2. Report **capital gain distributions** from mutual funds and regulated investment companies as dividend income for PA purposes, even though reported on Schedule D for federal purposes. A resident estate or trust that is a shareholder of a corporation, other than a PA S corporation, must report as taxable dividend income distributions by a business corporation or business association out of its earnings and profits, without regard to the manner in which the business derived the income. For PA purposes, a business association is an unincorporated business enterprise, organized in a manner similar to a business corporation. Business corporations or business associations include, but are not limited to, business trusts, federally qualified real estate investment companies, mutual funds and other federally regulated investment companies.

IMPORTANT. If the estate or trust is a shareholder in a Subchapter S corporation in another state that is not also a PA S corporation, report only the cash or property actually received as dividend income on the PA-41. A corporation that elects S status in another state, but does not elect PA S status in Pennsylvania, is a C corporation for PA purposes. Do not report the amount of distributable income and do not claim a credit for any tax paid to the other state on this income.

Mutual Funds, Money Market Funds, and Investment Trusts. Distributions, including dividends in the form of capital gains, received from mutual funds and money market funds, real estate investment trusts, and other investment trusts, except for ordinary dividends from exempt PA obligations and exempt federal obligations, are fully taxable as dividends unless they are a return of capital.

Dividend Income Does Not Include:

- Dividends distributed by a corporation to its stockholders in the form of stock, when the distribution is not taxable as income for federal purposes. If the stock distribution is not taxable, divide the adjusted basis of the old stock between the old and new stock.
- Distributions designated as return of capital by a utility company or other corporation. Such distributions serve to reduce the basis of stock in the corporation. If such distributions reduce the basis of the stock to zero, any further distributions

are taxable as gain from the sale or disposition of property. See instructions on **Return of Capital Distributions** on page 7.

- Dividends paid by a mutual fund or a registered investment company and designated as being PA Exempt-Interest Dividends in the written notice issued to the shareholder. Exclude that portion of total dividends designated by the fund or company as being from exempt PA obligations and exempt federal obligations. The amount designated as capital gains is fully taxable as dividend income for PA purposes. Report only the difference remaining after subtracting the amount of exempt dividends from the total dividends.

Dividends Received by Nonresident Estates or Trusts. Generally, dividends received by nonresident estates or trusts are **not taxable** even when paid by a PA corporation. Dividends are taxable to a nonresident only if received in connection with a business carried on in PA.

Line 3. Net Income or Loss from the Operation of a Business, Profession, or Farm. The estate or trust must complete and file a separate PA Schedule C or F for each business or farm that it operates. If the estate or trust completes a Federal Schedule C or F, but must make any adjustments for PA purposes, it may complete PA Schedule C-F Reconciliation, see below. If the estate or trust is a partner or a PA S shareholder, attach the PA Schedule RK-1 or NRK-1. If the estate or trust receives only a Federal Schedule K-1, you must classify the income according to PA income tax rules.

PA Schedule C-F Reconciliation. PA law allows adjustments that the federal rules do not permit, such as expensing Sales Tax on acquired property; charitable contributions; 100 percent of travel and entertainment expenses; and wages for claiming the PA Employment Incentive Payments Credit. PA does not follow federal tax accounting for other items. For more information, obtain a 1999 PA-40 booklet and read the instructions for using the PA Schedule C-F Reconciliation. See **Forms Ordering** on page 2.

What is a Business or Profession? Not every activity constitutes a business or profession. A business or profession has certain features. It must meet each of the following:

1. Market its products, goods and/or services to its customers in a marketplace; and
2. Regularly and continuously conduct its commercial activities; and
3. Does not limit or restrict its commercial activities to certain related or unrelated customers.

Report all net income or loss on PA-41. If the estate or trust realizes a net loss, enter that amount on Line 3 and fill in the oval next to the line. Do not use brackets or a minus sign.

Sale of Business Assets and Other Income Not Derived in the Ordinary Course of Business. Gain or loss from the sale of an asset used in business, other than inventory or stock-in-trade, must be reported on PA Schedule D. **Do not** include interest income, dividend income, and rent and royalty income (or deduct expenses attributable to such income) unless the estate or trust realizes such income in the ordinary course of business. The estate or trust reports these kinds of income on other lines on the PA-41.

Allowable Business Expenses. Allowable expenses are those ordinary, necessary and reasonable expenses currently paid or incurred during the taxable year that are directly related to and necessary for operating a business, profession, or farm. Only business expenses are allowable.

Do not deduct any Federal Income Tax, estate, inheritance, legacy, succession and gift taxes, or assessments for any improvements or betterment. **Do not** deduct taxes on dwellings or household property and other taxes not related to the business. Social Security and Unemployment Compensation Taxes paid for employees are allowable expenses.

ACRS. Deductions allowable under the Federal Accelerated Cost Recovery System (ACRS), including the IRC Section 179 additional first-year depreciation allowance for small businesses, are acceptable depreciation deductions for PA purposes.

Line 4. Net Gain or Loss from the Sale, Exchange, or Disposition of Property.

The instructions for PA Schedule D begin on page 8. The estate or trust must report each sale, exchange, or disposition of any kind of property, including real estate, tangible personal property, and intangible property such as stock or ownership interests in business enterprises, bonds, annuities and contract of insurance with refundable accumulated reserves payable upon lapse or surrender.

An estate or trust reports its gain on the disposition of property in the taxable year in which the amount realized from the conversion of the property into cash or other property exceeds the adjusted basis of such property.

An estate or trust recognizes a loss only:

- With respect to transactions entered into for profit.
- In the taxable year in which it closes and completes the transaction by some identifiable event that fixes the amount of such loss so that there is no possibility of any eventual recovery.

Installment Sales. Enter on Line 3 of PASchedule D, the total realized from installment sales and attach **PA Schedule D-1** (REV-1689). See **Forms Ordering** on page 2. The estate or trust **must** elect the installment method if at least one payment is to be received in any taxable year after the taxable year of the sales transaction.

Important. The estate or trust may not use the installment method for:

- Reporting gains from the sale of intangible personal property, such as stocks, bonds, partnership interests, etc.; or
- Transactions where the object is the lending of money or the rendering of services.

Once the estate or trust makes the election to report on the installment basis, it may not change its method of reporting in subsequent years.

Calculation. If reporting on PASchedule D-1, allocate the gain on the sale in equal proportion to the payments received, and report the installment gain in the year of the payment. Use PA Schedule D-1 to make the calculation of the taxable gain and attach it to the PA Schedule D.

IMPORTANT. Report interest incidental to an installment sale, i.e., directly from the installment sale contract or agreement, on PA Schedule D-1. If the installment sale is a routine business activity, report the sale and interest as business income. Otherwise, interest from an installment sale that Pennsylvania did not permit is interest income.

Repossession of Property. If an estate or trust repossesses property from a previous installment sale because the buyer defaulted, the estate or trust must adjust the basis of the recovered property by the amount of any previously reported gain. The estate or trust may not amend its tax return for the taxable year of the original installment sale.

Capital gain distributions received from mutual funds or regulated investment companies are taxable as dividends on Line 2 of the PA-41.

Federal and PA Obligations. As a result of legislation enacted in 1993, PA law treats net gains and losses from the sale, exchange, or disposition of the following obligations differently depending on the original issue date of these obligations:

1. Direct obligations of the United States, such as Series E, F, G, H, and EE bonds, federal treasury bills, and treasury notes;
2. Direct obligations of certain agencies, instrumentalities, or territories of the United States;
3. Direct obligations of the Commonwealth of Pennsylvania and its political subdivisions.

If the original issue date of these obligations was before February 1, 1994, the net gain is not subject to PA tax, and you may not use a loss to offset other gains. You may not use losses or expenses incurred in selling such PA tax-exempt obligations to reduce other taxable gains or income. Asale of a mutual fund or a fixed investment portfolio-trust is not exempt for PA purposes.

If the original issue date of these obligations was on or after February 1, 1994, the net gain is taxable income for PA purposes, and you may use losses to offset other gains, but not income in another class.

Obligations of Other States. Net gain from the disposition of obligations of other states or countries is always subject to the PAFiduciary Income Tax.

Return of Capital Distributions. As a shareholder, an estate or trust must report as taxable gain, in the taxable year received or credited, the excess of the fair market value of any return of capital distribution over the adjusted basis of its stock. A return of capital distribution is any distribution that a business corporation makes out of its earnings and profits. The basis of stock or shares decreases, but not below zero, by any distribution that is not taxable as a dividend on Line 2 of the PA-41.

Property Acquired Before June 1, 1971. Report on Line 5 of PA Schedule D, the total net gain or loss, if applicable, from (form REV-1742) **PA Schedule D-71, Sale of Property Acquired Before June 1, 1971**. To obtain this schedule, see **Forms Ordering** on page 2.

Partnership or PA S Corporation Income. If the estate or trust is a partner or PA S shareholder, it will receive a PA Schedule RK-1 or NRK-1 showing its share of any net gain or loss realized by the sale, exchange, or disposition of property by the partnership or PA S corporation. Attach all such schedules to support the amount reported on Line 6 of PA Schedule D. If the estate or trust is a partner and receives a Federal Schedule

K-1, the fiduciary must classify the income and loss from the Federal Schedule K-1, using the PA rules described in this booklet and other PA booklets.

Disposition of Principal Residence. Asale or other disposition of a decedent's principal residence will not qualify for the principal residence exclusion unless the disposition is pursuant to an executory contract made prior to death by an individual meeting the ownership and use requirements. Include a sale of a decedent's residence on Line 1 of the PASchedule D in this booklet.

Line 5. Net Income or Loss from Rents, Royalties, Patents, and Copyrights. The estate or trust must complete and file a separate PASchedule E to report its income or loss. To obtain PA Schedule E and the instructions for reporting this class of income, obtain a 1999 PA-40 booklet. See **Forms Ordering** on page 2. Estates or trusts receive rental income for the use of its real or tangible property. Estates or trusts receive royalty income upon the extraction of coal, oil, gas, or other minerals or for the use of a patent or copyright. The fiduciary may submit a Federal Schedule E, with a written explanation for any required and optional adjustments for PA purposes. If the estate or trust is a partner or a PAS shareholder, attach the PA Schedule RK-1 or NRK-1. If the estate or trust receives only a Federal Schedule K-1, you must classify the income according to PA rules.

Net Rent Income. Whether an estate or trust reports income or loss as rents on Line 5, or as business income on Line 3, depends on whether the estate or trust provides the lessee with significant services. Rents do not include payments for the use or occupancy of rooms or other space if the estate or trust also provides significant services to the lessee.

Generally, you provide significant services to a lessee if primarily for the lessee's convenience and not customarily provided in connection with the rental of rooms or other space for occupancy only. **EXAMPLE.** Providing housekeeper service is providing significant services to the lessee. However, furnishing heat and light; cleaning public entrances, exits, elevators, stairways, and lobbies and collecting trash are not significant services.

Generally, hotels, boarding houses, and apartment houses that provide hotel-like services, tourist homes, motor courts, or motels provide significant services with rooms. Payments for parking cars usually are not rents. Payments for warehousing of goods or the use of personal property are not rents, if the lessor provides significant services in connection with the payments.

Payments solely for the use or occupancy of an entire private residence, or for living quarters in a duplex, multiple housing unit, or office are, usually, rents.

Lease with Option to Buy. A lease with an option to buy may be a purchase contract and, therefore, the payments received are for the purchase price and are not rental income. Report these sales on a PASchedule D.

Selling Mineral Interests, Patents, or Copyrights. If the estate or trust gives up all rights to mineral interests, patents, or copyrights, the amounts received are payments for the sale or exchange of property. Report such sales on a PA Schedule D.

Line 6. Estate or Trust Income. Currently paid, distributable, or credited income from another estate or trust to a beneficiary that is the estate or trust for which you are filing, is taxable on the 1999 PA-41. Your estate or trust will receive a PA Schedule L from the other estate or trust. Cash and property received from another estate or trust by gift, bequest, devise, or inheritance is not taxable.

Report the PATaxable income from each estate and trust on PASchedule J. To obtain PASchedule J, see **Forms Ordering** on page 2. If the other estate or trust provides a Federal Schedule K-1, you must report the total distributed and distributable income on PA Schedule J.

If a resident estate or trust, enter on Line 6 the amount reported as your Resident Taxable Income on the PASchedule L provided by the other estate or trust. If a non-resident estate or trust, enter on Line 6 the amount reported as your Nonresident Taxable Income on the PA Schedule L provided by the other estate or trust.

Line 7. Total Taxable Income. Add Lines 1 through 6, and enter the total on Line 7. You **may not** offset income and losses on these lines to calculate Line 7.

Line 8. Deductions from PA Schedule DD. Complete the Distribution Deduction Schedule to determine the allowable deductions for distribution made to beneficiaries of the estate or trust. The instructions for PASchedule DD begin on page 9.

Line 9. Adjusted Taxable Income. Subtract Line 8 from Line 7.

Line 10. Total PATax Liability. Multiply the amount on Line 9 by 2.8%. (0.028). This amount is the PA tax before adjustments for payments and credits.

Line 11. 1999 Estimated Payments and Credits. Enter on Line 11 the total of:

- Any credit carried over from the 1998 PA-41;
- All 1999 installment payments of estimated tax; and
- Any payment made with a 1999 request for extension of time to file.

Line 12. Total Credit for Taxes Paid by PA Resident Estates and Trusts to Other States or Countries. PA resident estates or trusts having income subject to both the PA tax and the fiduciary income tax of another state or country may claim a credit for all or a portion of the tax paid to the other state or country. Complete and file a PA Schedule G. To obtain a copy of PA Schedule G, see **Forms Ordering** on page 2.

Line 13. Total Other Credits. Enter the total allowable credits claimed by the estate or trust from Line 5, PA Schedule OC, Other Allowable Credits for PA Fiduciary Income Tax purposes. The instructions for PA Schedule OC begin on page 10.

Line 14. 1999 Payments and Credits. Add Lines 11, 12, and 13.

Line 15. Tax Due. If the amount on Line 10 is greater than Line 14, enter the tax due and pay in full with this return.

Line 16. Overpayment. If Line 14 is more than Line 10, enter the overpayment on Line 16.

Lines 17. Refund. You may request that all or any part of the overpayment on Line 16 be issued as a refund check to the estate or trust. Enter the refund amount on Line 17.

Line 18. Credit. You may request that all or any part of the overpayment on Line 16 be credited to the 2000 estimated account of the estate or trust. Enter the credit amount on Line 18.

The total of Lines 17 and 18 must equal Line 16.

Review Your Return. Check the PA-41 carefully to insure you have reported all PA taxable income and losses and claimed all allowable credits. Also, check all entries to make sure they are correct. Any error could delay the processing of the PA-41.

Signature and Verification. Be sure to sign the PA-41. An unsigned PA-41 is not a valid tax return. The signature on the PA-41 verifies by written declaration, under penalties of perjury, that the fiduciary personally has examined the PA-41, and to the best of his or her knowledge, the PA-41 is true, correct, and complete. If someone other than the fiduciary or officer representing the fiduciary prepared the PA-41, the preparer may enter his or her name, or the company name, and the telephone number on the return.

How to Pay. The balance of tax due shown on the PA-41 must be paid in full with the return. Make check or money order payable to PA Dept. of Revenue. You must still file a PA-41 even if no payment is due.

Use the PA-V on the insert to make the payment with the PA-41. If you do not have a preprinted PA-V, include the check when filing the 1999 PA-41. Do not staple the check to the PA-41.

Bad Check. If your bank or financial institution returns a check unpaid, PA law imposes on the estate or trust an additional charge equal to 10 percent of the amount of the payment. The minimum charge is \$25, and the maximum charge is \$500. This is in addition to possible criminal prosecution and other penalties and interest. This addition to tax is also subject to applicable penalty and interest. The estate or trust may also face possible criminal prosecution.

MAILING INSTRUCTIONS

If there is **Tax Due** shown on Line 15 of the PA-41, mail the return, check, and PA-V to:

**PA DEPARTMENT OF REVENUE
BUREAU OF IMAGING AND DOCUMENT MANAGEMENT
DEPT. 280413
HARRISBURG, PA 17128-0413**

If there is an **Overpayment** shown on Line 16 of the PA-41, mail the return to:

**PA DEPARTMENT OF REVENUE
BUREAU OF IMAGING AND DOCUMENT MANAGEMENT
DEPT. 280505
HARRISBURG, PA 17128-0505**

If there is **No Tax Due** or **Overpayment**, mail the PA-41 to:

**PA DEPARTMENT OF REVENUE
BUREAU OF IMAGING AND DOCUMENT MANAGEMENT
DEPT. 280506
HARRISBURG, PA 17128-0506**

SCHEDULE INSTRUCTIONS

PA Schedule A

FILING TIP. If the estate or trust has total taxable interest income of \$2,500 or less, you do not have to complete and submit any schedule. If the taxable interest income is more than \$2,500, the Department allows these filing options:

1. If the Federal and PA interest income is the same, you may submit a copy of the federal schedule, or enter the taxable amount from the federal schedule on the PA-41.
2. The estate or trust may complete PA Schedule A with the payer name and PA taxable interest from each Form 1099 or other statement. You may enclose additional sheets if you need more space.

You do not need to submit the federal schedule with a PA Schedule A.

PA Schedule B

FILING TIP. If the estate or trust has total taxable interest income of \$2,500 or less, you do not have to complete and submit any schedule. If the taxable interest income is more than \$2,500, the Department allows these filing options:

1. If the federal and PA dividend income is the same, you may submit a copy of the federal schedule, or enter the taxable amount from the federal schedule on the PA-41.
2. The estate or trust may complete PA Schedule B with the payer name and PA taxable dividend income from each Form 1099 or other statement. You may enclose additional sheets if you need more space.

You do not need to submit the federal schedule with a PA Schedule B.

IMPORTANT. Capital gain distributions are dividend income. Do not report capital gain distributions as a gain as you do for federal purposes.

PA Schedule D.

You must use the PA Schedule D included in this booklet.

1. Columns a through f.
 - a) List and describe the property sold or otherwise disposed of for cash or other property. For example: 100 shares of ABC common stock or house @ 123 Main St.
 - b) Enter the month, day, and year you sold the property.
 - c) Enter the month, day, and year you acquired the property.
 - d) Enter the gross sales price or fair market value of cash and/or property you received, less applicable expenses of sale.
 - e) Enter the Adjusted Basis of the property sold.
 - f) Determine whether the property was either I or II, and follow the appropriate instructions.
 - I If the property is income-producing property acquired as investment, such as capital stock, an interest in a partnership or other business, a rental property, a patent or copyright, etc., or the estate or trust held the property in connection with business, profession, or farm, and the property is not inventory or an operational asset:
 - Subtract Column (e) from Column (d) and enter the gain, loss, or zero in Column (f);
 - II If the property was other than income-producing property:
 - If the Adjusted Basis is less than Column (d) enter the gain, loss, or zero in Column (f);
 - If the Adjusted Basis is greater than Column (d), the estate or trust does not realize either a gain or a loss. Enter zero in Column (f);

2. Add Column (f) and enter the total. Gains and losses may be offset to calculate this line.

3. Enter the amount from PA Schedule D-1.

4. Enter the total Return of Capital Distributions and subtract the amount of previously unrecovered basis.

5. Enter the total amount from PA Schedule D-71.

6. Enter the total net gain or loss from all PA Schedules RK-1 or NRK-1 received as a partner or shareholder of PA S corporations.

7. Add Lines 2 through 6. Enter result on Line 4 of the PA-41.

PA Schedule DD

1a. Total Income from PA-41. Resident Estate or Trust. Enter under Column A the income reportable from Line 7 of the PA-41.

Nonresident Estate or Trust. Enter under Column A the income that would have been reportable on Line 7 if it were a resident estate or trust. For the purposes of Line 1a, a nonresident estate or trust must compute its total income from sources both within and outside Pennsylvania.

1b. Nonresident Estate or Trust. Enter under Column A the amount reportable from Line 7 of the PA-41.

Resident Estate or Trust. Enter under Column B the amount that would be reportable on Line 7 if it were a nonresident estate or trust. For the purposes of Line 1b, a resident estate or trust must compute its total income in the same manner as a nonresident estate or trust.

2a. Enter under Column A the dollar amount of gross income which, pursuant to the terms of the governing instrument or under applicable law, is unconditionally required to be either retained, accumulated or set aside for future distribution or disbursement or currently applied to discharge, satisfy, or reduce any person's legal obligations.

2b. Enter under Column B the dollar amount of gross income allocable to Pennsylvania, which pursuant to the terms of the governing instrument or under applicable law is unconditionally required to be either retained, accumulated or set aside for future distribution or disbursement or currently applied to discharge, satisfy or reduce any person's legal obligations.

3a and 3b. Self-explanatory.

4a. Enter the amount, if any, of the estate's or trust's nontaxable gross receipts for the taxable year that are both:

- Not required under laws applicable to the administration of estates or trusts or the governing instrument to be retained for future distribution or disbursement or to be currently applied to discharge, satisfy or reduce any person's legal obligations; and
- Derived from the ownership or disposition of an obligation issued by the Federal Government, Pennsylvania or their instrumentalities (but only to the extent of the gain therefrom), or life insurance, annuity, and endowment contracts.

5a. Add Lines 3a and 4a to determine the amount of income available for distribution.

6a. Divide Line 3a by Line 5a. This is the percentage of the estate's or trust's total taxable and nontaxable income available for distribution that represents distributable taxable income from all sources.

7b. Divide Line 3b by Line 5a. This is the percentage of the estate's or trust's total taxable and nontaxable income available for distribution that represents distributable taxable income allocable to Pennsylvania.

IMPORTANT. If you are filing for an estate, enter zero on Lines 8a, 9a, and 10a and proceed to Line 11a.

8a. A trust enters the total of all amounts, if any, specifically required under the governing instrument to be distributed during the taxable year, whether actually distributed or not.

9a. A trust enters the total of all amounts, if any, specifically required under the governing instrument to be distributed during the taxable year that:

- Have been actually distributed; or
- Have not been actually distributed, but, under the governing instrument, are to be paid exclusively out of corpus.

10a. Subtract Line 9a from Line 8a. Total amount of undistributed income that the estate or trust must distribute currently.

11a. Estates or trusts enter the total dollar amount of cash distributions made to beneficiaries during the taxable year, exclusive of amounts properly paid out of corpus as a gift or bequest of a specific sum of money or required distributions in any prior taxable year.

12a. Estates or trusts enter the total market value of property distributions made to beneficiaries during the taxable year, exclusive of property distributed in kind as a gift or bequest of specific property.

13a. Add Lines 10a, 11a and 12a. Total amount distributed/distributable by the estate or trust.

14a and 14b. Self-explanatory.

15. Resident Estate or Trust enter the lesser of Line 3a and Line 14a on Line 15.

Nonresident Estate or Trust enter the lesser of Line 3b and Line 14b on Line 15.

16. Charitable Distribution Deduction. Special Instructions for Line 16.

An estate or trust qualifies for a charitable distribution deduction if it is unconditionally required under applicable law, or its governing instrument, to retain and permanently set aside all or a determinable part of its retained total income for the taxable year exclusively for the benefit of a purely religious, charitable, scientific, literary, or educational organization. No amount included on Lines 2a or 2b of PA Schedule DD will be considered to be permanently set aside, or to be used, exclusively for the benefit of such organizations unless, under applicable law, or the terms of its governing instrument and the circumstances of the particular case, the possibility that the amount set aside, or to be used, will not be disbursed, distributed or used for the benefit of such an organization is so remote as to be negligible. For example, where there is a possibility of the invasion of corpus of a charitable remainder trust in order to make payment of the annuity amount or unitrust amount, the estate or trust may not take a deduction.

Computation of Charitable Distribution Deduction. If applicable law or governing instrument specifically provides the source from which the estate or trust shall set aside proceeds or receipts exclusively for charity, the amount of the charitable deduction is the amount which would be properly reported on Line 1a of PA Schedule DD, or Line 1b in the case of a nonresident trust or estate, where such receipts or proceeds are the estate's or trust's only items of income for the year. Otherwise, the charitable deduction is that portion of the amount reported on Line 2a of PA Schedule DD, or Line 2b in the case of a nonresident estate or trust, which the amount actually retained, accumulated and set aside for the taxable year exclusively for the benefit charity bears to the total amount actually retained, accumulated and set aside for the taxable year.

16. Resident Estate or Trust. Enter the amount of taxable income included in Line 2a of PA Schedule DD for which a charitable distribution deduction is allowed.

Nonresident Estate or Trust. Enter the amount of taxable income included in Line 2b of PA Schedule DD for which a charitable distribution deduction is allowed.

17. Total Deduction from PA Schedule DD. Add Lines 15 and 16. Enter the total on both Line 17 of Schedule DD and Line 8 of the PA-41.

PA Schedule L

The estate or trust must provide to each beneficiary a PA Schedule L. Federal Schedule K-1 is not acceptable, because it does not properly reflect the classified PA taxable income amounts.

Enter on PA Schedule L, the name, complete address and identification number (EIN or SSN) of each beneficiary to whom the estate or trust made a distribution or was required to make a distribution during the taxable year or to whom amounts were credited and payable during the taxable year. Follow Steps 1, 2, and 3 below to compute and enter the amount of each beneficiary's Resident Taxable Income and Nonresident Taxable Income.

Step 1. Compute the total dollar amount of:

- Cash and property distributions actually made to the beneficiaries during the taxable year; and
- Undistributed amounts that are either credited and payable or required to be currently distributed to the beneficiary during the taxable year.

IMPORTANT. Do not take into account:

- Amounts that are properly paid out of corpus as a gift or bequest of a specific amount of money; or
- Amounts that were required to have been distributed in any prior taxable year; or
- The market value of property distributed in kind as a gift or bequest of specific property.

Step 2. To compute the beneficiary's Resident Taxable Income, multiply the amount computed in Step 1 by a fraction, the numerator of which is the lesser of Line 3a or Line 14a on PA Schedule DD, and the denominator of which is Line 13a of PA Schedule DD.

Step 3. To compute the beneficiary's Nonresident Taxable Income, multiply the amount computed in Step 1 by a fraction, the numerator of which is the lesser of Line 3b or Line 14b of PA Schedule DD, and the denominator of which is Line 13a of PA Schedule DD.

Math Check.

Resident Estate or Trust. The totals of the Resident Taxable Income should equal the estate's or trust's distribution deductions on Line 15, PASchedule DD.

Nonresident Estate or Trust. The totals of the Nonresident Taxable Income should equal the estate's or trust's distribution deductions on Line 15 of PA Schedule DD.

PA Schedule OC

Line 1. Employment Incentive Payments Credit. Estates or trusts employing welfare recipients may be eligible for this credit. You must submit a completed PA Schedule W, with copies of the Certification Form from the PA Department of Labor and Industry for each employee. If a partner or a PAS corporation shareholder, enter the credit amount from the PASchedules RK-1 or NRK-1 the estate or trust received.

Line 2. Jobs Creation Tax Credit. Enter the amount of approved credit from the PA Department of Community and Economic Development certification the estate or trust received. If a partner or a PAS corporation shareholder, enter the credit amount from the PASchedules RK-1 or NRK-1 the estate or trust received.

Line 3. Waste Tire Recycling Investment Tax Credit. Enter the amount of your approved credit from the PADepartment of Environmental Protection certification the

estate or trust received. If a partner or a PAS corporation shareholder, enter the credit amount from the PA Schedules RK-1 or NRK-1 the estate or trust received.

Line 4. Research and Development Tax Credit. Enter the amount from the PA Department of Revenue certification the estate or trust received. If a partner or a PAS corporation shareholder, enter the credit amount from the PA Schedules RK-1 or NRK-1 the estate or trust received.

Line 5. Total Allowable Credits. Add Lines 1 through 4 and enter the total here and on Line 13 of the PA-41.

PA Schedule I

Under certain conditions, Pennsylvania accepts the same amounts that you report on the 1999 Federal Form 1041. See the instructions for each income class. If you believe that the federal amounts reported on the Form 1041 are correct for PA purposes, obtain PASchedule I. See **Forms Ordering** on page 2. Read the instructions on PASchedule I. If you use this schedule, you do not have to attach either a PA or federal schedule. The Department exchanges information with the Internal Revenue Service. **CAUTION.** If the estate or trust is a shareholder in a PAS corporation or a partner in a partnership, you **may not** use PA Schedule I for PA-41 purposes. You must provide the PA Schedule RK-1 or NRK-1. If you use PA Schedule I and subsequently amend the Form 1041, you must amend the PA-41.

PA DEPARTMENT OF REVENUE DISTRICT OFFICES

(Counties each office serves)

Altoona

(Blair, Centre, Fulton, Huntingdon, and Mifflin)
Cricket Field Plaza
615 Howard Avenue
Altoona, PA 16601-4867
(814) 946-7310

Bethlehem

(Lehigh and Northampton)
44 East Broad Street
Bethlehem, PA 18018-5998
(610) 861-2000

Bradford

(Cameron, Elk, Forest, McKean, Potter, and Warren)
Second Floor
86 Boylston Street
Bradford, PA 16701-2011
(814) 368-7113

Doylestown

(Bucks)
Suite 104
600 Louis Drive
Warminster, PA 18974-2847
(215) 443-2990

Erie

(Erie and Crawford)
Room 216
Sumner Nichols Building
155 West Eighth Street
Erie, PA 16501-1012
(814) 871-4491

Greensburg

(Westmoreland)
Second Floor
15 West Third Street
Greensburg, PA 15601-3003
(724) 832-5386

Harrisburg

(Cumberland, Dauphin, and Perry)
Lobby
Strawberry Square
Harrisburg, PA 17128-0101
(717) 783-1405

Indiana

(Armstrong, Clarion, Indiana, and Jefferson)
835 Water Street (Rear)
Indiana, PA 15701-1705
(724) 357-7600

Johnstown

(Bedford, Cambria, Clearfield, and Somerset)
Third Floor
345 Main Street
Johnstown, PA 15901-1614
(814) 533-2495

Lancaster

(Lancaster and Lebanon)
160 East King Street
Lancaster, PA 17602-2869
(717) 299-7581

New Castle

(Beaver, Butler, Lawrence, Mercer, and Venango)
Room 201
101 South Mercer Street
New Castle, PA 16101-3837
(724) 656-3203

Newtown Square

(Chester and Delaware)
Suite 1
90 South Newtown Street Road
(Route 252)
Newtown Square, PA 19073-4090
(610) 353-4051

Norristown

(Montgomery)
4th Floor
Stoney Creek Office Center
151 West Marshall Street
Norristown, PA 19401-4739
(610) 270-1780

Philadelphia

(Philadelphia)
Room 201
State Office Building
1400 W. Spring Garden St.
Philadelphia, PA 19130-4088
(215) 560-2056

Pittsburgh

(Allegheny)
Suite 104
State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222-1210
(412) 565-7540

Pottsville

(Carbon and Schuylkill)
110 East Laurel Blvd.
Pottsville, PA 17901-2527
(570) 621-3175

Reading

(Berks)
Room 239
625 Cherry Street
Reading, PA 19602-1186
(610) 378-4401

Scranton

(Lackawanna, Monroe, Pike, Susquehanna, and Wayne)
Room 305
Samters Building
101 Penn Avenue
Scranton, PA 18503-1970
(570) 963-4585

Sunbury

(Columbia, Juniata, Montour, Northumberland, Snyder, and Union)
335 Market Street
Sunbury, PA 17801-3466
(570) 988-5520

Washington

(Fayette, Greene, and Washington)
Room 204
Landmark Building
75 East Maiden Street
Washington, PA 15301-4963
(724) 223-4550

Wilkes-Barre

(Luzerne and Wyoming)
Suite 201
Thomas C. Thomas Building
100 East Union Street
Wilkes-Barre, PA 18701-3200
(570) 826-2466

Williamsport

(Bradford, Clinton, Lycoming, Sullivan, and Tioga)
322 Locust Street
Williamsport, PA 17701-6085
(570) 327-3475

York

(Adams, Franklin, and York)
Second Floor
130 North Duke Street
York, PA 17401-1113
(717) 845-6661

PA SCHOOL DISTRICTS AND CODES BY COUNTY

SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE
INDIANA							
Apollo-Ridge	.03060	Dallas	.40160	Easton Area	.48330	UNION	
Armstrong	.03085	Greater Nanticoke Area	.40260	Nazareth Area	.48480	Lewisburg Area	.60400
Blairsville-Saltsburg	.32110	Hanover Area	.40300	Northampton Area	.48490	Mifflinburg Area	.60500
Harmony	.17350	Hazleton Area	.40330	Northern Lehigh	.39450	Milton Area	.49500
Homer Center	.32330	Lake-Lehman	.40390	Pen Argyl Area	.48560	Warrior Run	.49800
Indiana Area	.32370	Northwest Area	.40600	Saucon Valley	.48600		
Marion Center Area	.32520	Pittston Area	.40660	Wilson Area	.48860		
Penns Manor Area	.32630	Wilkes-Barre Area	.40885			VENANGO	
Punxsutawney Area	.33800	Wyoming Area	.40920	NORTHUMBERLAND		Allegheny Clarion Valley	.16030
Purchase Line	.32730	Wyoming Valley West	.40930	Danville Area	.47180	Cranberry Area	.61130
United	.32800			Line Mountain	.49350	Forest Area	.27200
		LYCOMING		Milton Area	.49500	Franklin Area	.61220
JEFFERSON		Canton Area	.08100	Mount Carmel Area	.49510	Oil City Area	.61620
Brockway Area	.33070	East Lycoming	.41200	Shamokin Area	.49650	Penncrest	.20470
Brookville Area	.33080	Jersey Shore Area	.41400	Shikellamy	.49660	Titusville Area	.61720
Clarion-Limestone Area	.16170	Loyalsock Township	.41420	Southern Columbia Area	.19750	Valley Grove	.61860
Dubois Area	.17200	Montgomery Area	.41500	Warrior Run	.49800		
Punxsutawney Area	.33800	Montoursville Area	.41510	PERRY		WARREN	
		Muncy	.41530	Fannett-Metal	.28200	Corry Area	.25145
		South Williamsport Area	.41610	Greenwood	.50300	Titusville Area	.61720
JUNIATA		Southern Tioga	.59700	Newport	.50400	Warren County	.62830
Greenwood	.50300	Wellsboro Area	.59850	Susquenita	.50600		
Juniata County	.34360	Williamsport Area	.41720	West Perry	.50800		
				PHILADELPHIA		WASHINGTON	
LACKAWANNA		MCKEAN		Philadelphia City	.51500	Avella Area	.63050
Abington Heights	.35030	Bradford Area	.42080			Bentworth	.63090
Carbondale Area	.35130	Kane Area	.42230	PIKE		Bethlehem Center	.63100
Dunmore	.35220	Oswayo Valley	.53750	Delaware Valley	.52200	Brownsville Area	.26080
Forest City Regional	.58300	Otto Eldred	.42600	East Stroudsburg Area	.45200	Burgettstown Area	.63120
Lackawanna Trail	.66500	Port Allegany	.42630	Wallenpaupack Area	.64830	California Area	.63150
Lakeland	.35460	Smethport Area	.42750			Canon McMillan	.63170
Mid Valley	.35550			POTTER		Charleroi	.63180
North Pocono	.35650	MERCER		Austin Area	.53030	Chartiers Houston	.63190
Old Forge	.35660	Commodore Perry	.43130	Coudersport Area	.53130	Fort Cherry	.63240
Riverside	.35700	Crawford Central	.20135	Galeton Area	.53280	McGuffey	.63390
Scranton City	.35740	Farrell Area	.43250	Keystone Central	.18360	Peters Township	.63650
Valley View	.35840	Greenville Area	.43280	Northern Potter	.53550	Ringgold	.63700
		Grove City Area	.43290	Oswayo Valley	.53750	Trinity Area	.63800
LANCASTER		Hermitage	.43330	Port Allegany	.42630	Washington	.63880
Cocalico	.36130	Jamestown Area	.43360				
Columbia Borough	.36150	Lakeview	.43390	SCHUYLKILL		WAYNE	
Conestoga Valley	.36170	Mercer Area	.43500	Blue Mountain	.54080	Forest City Regional	.58300
Donegal	.36220	Reynolds	.43530	Hazleton Area	.40330	North Pocono	.35650
Eastern Lancaster County	.36230	Sharon City	.43560	Mahanoy Area	.54450	Susquehanna Community	.58650
Elizabethtown Area	.36240	Sharpville Area	.43570	Minersville Area	.54470	Wallenpaupack Area	.64830
Ephrata Area	.36260	West Middlesex Area	.43750	North Schuylkill	.54500	Wayne Highlands	.64870
Hempfield	.36310	Wilmington Area	.37800	Panther Valley	.13660	Western Wayne	.64890
Lampeter-Strasburg	.36360			Pine Grove Area	.54600		
Lancaster	.36400	MIFFLIN		Pottsville Area	.54610	WESTMORELAND	
Manheim Central	.36440	Mifflin County	.44460	Saint Clair Area	.54680	Belle Vernon Area	.65060
Manheim Township	.36450	Mount Union Area	.31600	Shenandoah Valley	.54720	Blairsville-Saltsburg	.32110
Octorara Area	.15650			Schuylkill Haven Area	.54730	Burrell	.65070
Penn Manor	.36520	MONROE		Tamaqua Area	.54760	Derry Area	.65160
Pequea Valley	.36530	East Stroudsburg Area	.45200	Tri Valley	.54780	Franklin Regional	.65260
Solanco	.36700	Pleasant Valley	.45520	Williams Valley	.54880	Greater Latrobe	.65310
Warwick	.36900	Pocono Mountain	.45540			Greensburg Salem	.65320
		Stroudsburg Area	.45600	SNYDER		Hempfield Area	.65380
LAWRENCE				Mid-West	.55500	Jeannette City	.65410
Blackhawk	.04160	MONTGOMERY		Selinsgrove	.55710	Kiski Area	.65440
Ellwood City Area	.37200	Abington	.46030			Leechburg Area	.03540
Laurel	.37400	Boyetown Area	.06075	SOMERSET		Ligonier Valley	.65490
Mohawk Area	.37500	Bryn Athyn Borough	.46050	Berlin Brothersvalley	.56100	Monessen City	.65580
Neshannock Township	.37520	Cheltenham Township	.46130	Conemaugh Township Area	.56180	Mount Pleasant Area	.65590
New Castle Area	.37530	Colonial	.46160	Meyersdale Area	.56520	New Kensington Arnold	.65630
Shenango Area	.37620	Hatboro-Horsham	.46360	North Star	.56550	Norwin	.65650
Union Area	.37700	Jenkintown	.46380	Rockwood Area	.56630	Penn-Trafford	.65710
Wilmington Area	.37800	Lower Merion	.46450	Salisbury Elk Lick	.56700	Southmoreland	.65750
		Lower Moreland Township	.46460	Shade-Central City	.56720	Yough	.65890
LEBANON		Methacton	.46530	Shanksville-Stonycreek	.56740		
Annville Cleona	.38030	Norristown Area	.46560	Somerset Area	.56770	WYOMING	
Cornwall Lebanon	.38130	North Penn	.46570	Turkeyfoot Valley Area	.56840	Elk Lake	.58250
Eastern Lebanon County	.38230	Perkiomen Valley	.46610	Windber Area	.56910	Lackawanna Trail	.66500
Lebanon	.38460	Pottsgrove	.46630			Lake-Lehman	.40390
Northern Lebanon	.38500	Pottstown	.46640	SULLIVAN		Tunkhannock Area	.66750
Palmyra Area	.38530	Souderton Area	.46710	Sullivan County	.57630	Wyalusing Area	.08900
		Springfield Township	.46720			Wyoming Area	.40920
LEHIGH		Spring Ford Area	.46730	SUSQUEHANNA			
Allentown City	.39030	Upper Dublin	.46830	Blue Ridge	.58100	YORK	
Bethlehem Area	.48100	Upper Merion Area	.46840	Elk Lake	.58250	Central York	.67130
Catasauqua Area	.39130	Upper Moreland Township	.46850	Forest City Regional	.58300	Dallastown Area	.67160
East Penn	.39230	Upper Perkiomen	.46860	Montrose Area	.58450	Dover Area	.67180
Northern Lehigh	.39450	Wissahickon	.46930	Mountain View	.58460	Eastern York	.67220
Northwestern Lehigh	.39460			Susquehanna Community	.58650	Hanover Public	.67280
Parkland	.39510	MONTOUR				Northeastern York	.67440
Salisbury Township	.39560	Danville Area	.47180	TOGA		Northern York County	.67460
Southern Lehigh	.39570	Warrior Run	.49800	Canton Area	.08100	Red Lion Area	.67550
Whitehall Coplay	.39780			Galeton Area	.53280	South Eastern	.67620
		NORTHAMPTON		Northern Tioga	.59600	South Western	.67640
LUZERNE		Bangor Area	.48080	Southern Tioga	.59700	Southern York County	.67650
Berwick Area	.19110	Bethlehem Area	.48100	Wellsboro Area	.59850	Spring Grove Area	.67670
Crestwood	.40140	Catasauqua Area	.39130			West Shore	.21900
						West York Area	.67850
						York City	.67900
						York Suburban	.67940