

Instructions for PA-41 Schedule D Sale, Exchange or Disposition of Property

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 DD/D is no longer available. It has been replaced by separate schedules DD and D which are available on the department's website under Forms and Publications for personal income tax.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

Estates and trusts use PA-41 Schedule D to report sales, exchange or other dispositions of real or personal tangible and intangible property.

Pennsylvania law does not recognize the deemed sale election permitted by the Internal Revenue Service.

Report each sale, exchange or disposition of property on PA-41 Schedule D, unless the instructions require a different Pennsylvania schedule.

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

Column a

List and describe the property sold or otherwise disposed of for cash or other property. If a loss, fill in the oval next to the line.

Column b

Enter the month, day and year property was acquired. If a loss, fill in the oval next to the line.

Column c

Enter the month, day and year property was sold. If a loss, fill in the oval next to the line.

Column d

Enter the gross sales price or fair market value of cash and/or property received, less applicable expenses of sale. If a loss, fill in the oval next to the line.

Column e

Enter the cost of adjusted basis of the property sold. If a loss, fill in the oval next to the line.

Column f

Determine whether the property was either 1 or 2, and follow the appropriate instructions.

1. If the property is income-producing property acquired as an 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 a 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);

2. If the property was other than income-producing property:

- If Column (e) is less than or equal to Column (d) enter the gain, or zero in Column (f);

- If Column (e) is greater than Column (d), the estate or trust does not realize a loss. Enter zero in Column (f).

If a loss, fill in the oval next to the line.

Line 2

Net Gain (loss) from Above Sales

Add Column (f) and enter the total. Gains and losses may be offset to calculate this line. If a loss, fill in the oval next to the line.

Line 3

Gain from PA Schedule D-1 Installment Sales

Enter the amount from PA Schedule D-1, Installment Sales.

Line 4

Taxable Distributions from C Corporations

Enter the total taxable distributions from C corporations.

Taxable Distributions from a C Corporation

An estate or trust that is a shareholder in a C corporation must report as taxable gain the excess of the fair market value of a distribution (other than a dividend) in excess of current or accumulated earnings and profits over the adjusted basis of its stock when the adjusted basis of the stock is zero.

When a distribution, that is not a dividend, is received that is in excess of the current or accumulated earnings and profits, it decreases the basis of the stock or shares, but not below zero, by any distribution that is not taxable as a dividend on Line 2 of PA-41, Fiduciary Income Tax Return.

Once a distribution reduces the basis of the stock to zero, the excess distributions are taxable as gains from the disposition of property and reported on Schedule D, Line 4.

Example. B Corp distributes from its capital account \$100,000 to the estate of John Doe, the only stockholder. The estate's adjusted basis in the stock is \$75,000.

The distribution is not from the regular corporation's earnings and profits, so it is not a taxable dividend.

The estate must reduce its basis from \$75,000 to zero, then report \$100,000 on the "Enter total distribution" line, and \$75,000 on the "Minus adjusted basis" line.

The estate reports the remaining \$25,000 as a gain on its PA-41 Schedule D.

Property Acquired Before June 1, 1971

Obtain and complete PA Schedule D-71 (REV-1742). Report on Line 5 of PA-41 Schedule D the total net gain or loss from PA Schedule D-71.

Line 5 Net Gain (Loss) from PA Schedule D-71 – Sale of 6-1-71 Property

Enter the total amount from PA Schedule D-71 (REV-1742), Gain or Loss on Property Acquired Prior to June 1, 1971. If a loss, fill in the oval next to the line.

Line 6 Net Partnership Gain (Loss) from PA Schedules RK-1 or NRK-1

Report the net gain (loss) from the sale, exchange or disposition of property reported the PA-20S/PA-65 Schedule RK-1, Line 4 or the PA Schedule NRK-1, Line 2. If a loss, fill in the oval next to the line.

Submit all such schedules to support the amount reported on PA-41 Schedule D. Include a copy of the 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, it 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 7 Net PA S Corporation Gain (Loss) from PA Schedules RK-1 or NRK-1

Report the net gain (loss) from the sale, exchange or disposition of property reported the PA-20S/PA-65 Schedule RK-1, Line 4 or on the PA-20S/PA-65 Schedule NRK-1, Line 2. If a loss, fill in the oval next to the line.

Submit all such schedules to support the amount reported on PA-41 Schedule D. Include a copy of the federal Form 1020S Schedule K-1 if a PA-20S/PA-65 Schedule RK-1 is not supplied by the PA S corporation or entity formed as a limited liability company that is classified as a PA 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 8 Taxable Distributions from Partnerships from REV-999

Report any gain realized from other partnership distributions that exceed the estate or trust's ownership basis in that partnership. Complete and submit REV-999, Shareholder Tax Basis in PA S Corporation Stock Worksheet. The worksheet, REV-999 is available on the department's website. See the Forms and Publications tab for partnerships, S corporations and limited liability companies.

Line 9 Taxable Distributions from PA S Corporations from REV-998

Report any gain realized from other PA S corporation distributions that exceed the estate or trust's ownership basis in that PA S corporation.

Complete and submit REV-998, Partner PA Outside Tax Basis in a Partnership Worksheet. The worksheet, REV-998 is available on the department's website. See the Forms and Publications tab for partnerships, S corporations and limited liability companies.

Line 10 Total Net Gain (Loss)

Add Lines 2 through 9. Include the net gain (loss) on the PA-41, Fiduciary Income Tax Return, Line 4. If a loss, fill in the oval next to the line.