

Instructions for PA-41 Schedule B

Dividend and Capital Gains Distributions Income

WHAT'S NEW

The requirements for when to submit PA-41 Schedule B have changed and having dividends and capital gains distributions in excess of \$2,500 will no longer be used to determine if an estate or trust must submit PA-41 Schedule B.

If the estate or trust's total PA-taxable dividend and capital gains distributions income is equal to the amount reported on the estate or trust's federal Form 1041 and there are no amounts for Lines 2 through 10 of Schedule B, the estate or trust must report the dividends and capital gains distributions income on Line 2 of the PA-41, Fiduciary Income Tax Return, but the estate or trust does not have to submit Schedule B. If there are any amounts for any of the Lines 2 through 10 of Schedule B, the estate or trust must complete and submit Schedule B with the estate or trust's PA-41, Fiduciary Income Tax Return.

GENERAL INFORMATION

PURPOSE OF SCHEDULE

Use PA-41 Schedule B to report dividend and capital gains distributions income 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 nine-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.

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

LINE INSTRUCTIONS

Please read the Line 2 Instructions on Pages 16 and 17 of the Instructions for Form PA-41 prior to completing this schedule.

LINE 1

Enter the amount of dividend income reported on Line 2 of the estate or trust's federal Form 1041. If there are no amounts for Lines 2 through 10 of PA Schedule B, stop here. An estate or trust must report the amount on Line 2 of the PA-41 form but the estate or trust is not required to include a copy of the PA-41 Schedule B with the PA-41.

LINE 2

If the estate or trust has any investments in partnerships or S corporations or any dividend income from other estates or trusts, the estate or trust must include the amount reported for federal income tax purposes. Enter the total amount of dividend income included in the amount reported for Line 2 of federal Form 1041 from all federal Schedule(s) K-1.

LINE 3

If the estate or trust has investments in funds which have investments where some of the income is tax exempt, the tax-exempt earnings associated with Pennsylvania or U.S. government obligations are not taxable for Pennsylvania purposes. Enter the total amount of any tax-exempt dividends from direct obligations of the Commonwealth of Pennsylvania, direct obligations of political subdivisions of Pennsylvania and/or direct obligations of the U.S. Government (U.S. Treasury Bonds, Notes, Bills, Certificates and Savings Bonds) included in any tax-exempt fund or money market fund dividends.

LINE 4

Estates or trusts may need to record other adjustments to federal interest income to account for differences in

Pennsylvania and federal tax laws and where there is no specific line to record that difference. Enter any other adjustments that decrease PA dividend income and provide a description of the amounts. An example would include dividend income for a nominee taxpayer recorded on the 1099 as dividend income of the estate or trust. Do not include expenses incurred to realize dividend income.

LINE 5

Add the amounts on Lines 2, 3 and 4.

LINE 6

Subtract Line 5 from Line 1.

LINE 7

If the estate or trust has adjustments to federal-taxable dividend income that increase the amount of dividend income reported for federal purposes due to differences between Pennsylvania and federal tax laws, enter any other adjustments for items that increase PA-taxable interest income and provide a description of the amounts. Examples include: distributions from non-PA S corporations, tax-exempt interest dividends and expenses incurred to realize dividend income. Include a statement providing the descriptions and amounts if more than one type of adjustment is included in the amount reported for this line.

LINE 8

For Pennsylvania purposes, capital gains distributions are taxable as dividend income not as capital gains as for federal purposes. Enter the amount of capital gains distributions included as capital gains on federal Schedule D.



TIP: Do not report capital gains distributions on PA-41 Schedule D.

LINE 9

Dividend Income from Partnerships from PA Schedules RK-1

If the estate or trust is an owner in a partnership or entity formed as a limited

liability company that is classified as a partnership for federal income tax purposes, it will receive a PA-20S/PA-65 Schedule RK-1 showing its share of any dividend income.

Enter the amount of dividend income from partnerships. Include the amounts reported from all PA Schedule(s) RK-1, or federal Schedule(s) K-1 if an RK-1 is not provided.

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.

Submit all PA-20S/PA-65 Schedules RK-1 to support the amount reported on PA-41 Schedule B Line 9. 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, 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.

LINE 10

Dividend Income from PA S Corporations from PA Schedules RK-1

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

Enter the amount of dividend income from PA S corporations. Include the amounts reported from all PA Schedule(s) RK-1, or federal Schedule(s) K-1 if an RK-1 is not provided.

If the estate or trust realizes income from more than one PA S corporation, provide a statement showing the FEIN, name, and amount of income by the PA S corporation.

Submit all PA-20S/PA-65 Schedules RK-1 to support the amount reported on

PA-41 Schedule B Line 10. 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 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.

LINE 11

Total Dividend Income

Add Lines 6, 7, 8, 9 and 10 on the PA-41 Schedule B. Enter the amount here and on the PA-41, Fiduciary Income Tax Return, Line 2.