

Instructions for PA-41 Schedule D

Sale, Exchange or Disposition of Property

WHAT'S NEW

Estates and trusts may enter summary totals from brokerage statements or other summary statements when there are numerous transactions to report. Summaries or groups of transactions as reported on brokerage statements or summaries of the sales of stocks, bonds and other financial instruments sold on the major financial exchanges on separately prepared statements may be used in lieu of entering each sale, exchange or disposition of property on PA Schedule D. All other transactions must be entered separately on PA Schedule D.

If a brokerage or summary statement is used, a copy of the statement must be provided with the return. Electronically filed returns will not permit entry of an unlimited number of transactions. Brokerage or summary statements of transactions will be required to be included as a PDF attachment with the return or faxed in to the department.

GENERAL INFORMATION

PURPOSE OF SCHEDULE

Estates and trusts use PA-41 Schedule D to report the sale, 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 the 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 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

LINE 1

Column a – Property Sold

List and describe the property sold or otherwise disposed of for cash or other property.

Column b – Month, Day and Year Acquired

Enter the month, day and year property was acquired. If the estate or trust acquired properties over time or a summary line is being entered for multiple transactions, the estate or trust may enter VARIOUS.

Column c – Month, Day and Year Sold

Enter the month, day and year property was sold. If the estate or trust is entering a summary line for multiple transactions, the estate or trust may enter VARIOUS.

Column d – Gross Sales Price Less Expense of Sale

Enter the gross sales price or fair market value of cash and/or property received, less applicable expenses of sale.

Column e – Cost or Adjusted Basis

Enter cost of adjusted basis of the property sold.

Column f – Gain or Loss (d) Minus (e)

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 busi-

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

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

The election to report using the installment method is made by filing a PA Schedule D-1 (REV-1689) for the year of sale. Schedule D-1 is required in subsequent years in which any payment is received. Obtain and complete PA Schedule D-1 and enter the amount from Line 19 of the schedule on Line 3 of the PA-41 Schedule D.

LINE 4

Taxable Distributions from C Corporations

Enter 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 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. 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.

LINE 5

Property Acquired Before June 1, 1971

If any property was acquired before June 1, 1971, use PA Schedule D-71 (REV-1742), Gain or Loss on Property Acquired Prior to June 1, 1971 to report the gain or loss. 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.

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

Submit all PA-20S/PA-65 Schedules RK-1 or NRK-1 to support the amount reported on PA-41 Schedule D Line 6. 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 classified as a partnership for federal income tax purposes. If the estate or trust receives only a federal Form 1065 Schedule K-1, the income must be adjusted and classified from 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 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 on PA-20S/PA-65 Schedule RK-1, Line 4 or on PA-20S/PA-65 Schedule NRK-1, Line 2. If a loss, fill in the oval next to the line.

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 or NRK-1 to support the amount reported on PA-41 Schedule D Line 7. Include a copy of 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 classified as a PA S corporation for federal income tax pur-

poses. 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 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, Partner's Outside Tax Basis in a Partnership Worksheet. The worksheet is available on the department's website.

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, Shareholder Tax Basis in PA S Corporation Stock Worksheet. The worksheet, is available on the department's website.

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.