

# Instructions for PA-41 Schedule A

Interest Income and Gambling and Lottery Winnings

PA-41A (08-15)

## WHAT'S NEW

A new Line 11 has been added to the PA-41 Schedule A to report taxable amount of distributions from life insurance, annuity or endowment contracts or charitable gift annuities included in federal taxable income.

A caution statement has been added to the Line 2 instructions.

The instructions for Lines 1 and 3 have been revised to include instructions for trusts that are not required to file a federal return.

## WHEN TO INCLUDE

If the estate or trust's total PA-taxable interest 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 14 (not including subtotal Lines 4 and 10) of Schedule A, the estate or trust must report the interest income on Line 1 of the PA-41, Fiduciary Income Tax Return, but the estate or trust does not have to submit Schedule A. If there are any amounts for any of the Lines 2 through 14 (not including subtotal Lines 4 and 10) of Schedule A, the estate or trust must complete and submit Schedule A with the estate or trust's PA-41, Fiduciary Income Tax Return.

## GENERAL INFORMATION

### PURPOSE OF SCHEDULE

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

## FORM INSTRUCTIONS

### Name

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

### FEIN or Decedent's SSN

Enter the 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 1 Instructions on Pages 16 and 17 of the Instructions for Form PA-41 prior to completing this schedule.

### LINE 1

Enter the amount of interest income reported on Line 1 of the estate or trust's federal Form 1041. If there are no amounts for Lines 2 through 14 (not including subtotal Lines 4 and 10) of PA-41 Schedule A, stop here. An estate or trust must report the amount on Line 1 of the PA-41 form but the estate or trust is not required to include a copy of PA-41 Schedule A with the PA-41.

If the trust is not required to file a federal return, see the instructions for Line 3.

### LINE 2

If the estate or trust has any investments in tax-exempt bonds from states or local instrumentalities that are excluded from taxation for federal income tax purposes, enter the total amount of total tax-exempt interest from all state or local bonds. Include amounts from all states and local instrumentalities including Pennsylvania.



**CAUTION:** Do not include exempt-interest dividends in this amount.

### LINE 3

If the estate or trust has adjustments to federal taxable interest income that increase the amount of interest income reported for federal purposes, enter any other adjustments for items that increase PA-taxable interest income and provide a description of the amounts. If any expenses such as amortization of bond premium, nominee interest, or expenses incurred to realize interest income were deducted against the income for federal income tax purposes, the estate or trust must include all adjustments that reduce federal income.

If the estate or trust is not required to file a federal return, enter the amount of interest income reported to the trust in Box 1 of all federal Forms 1099-INT, Interest Income, as well as any other federally taxable interest income received by the trust (such as interest from U.S. government obligations) for federal grantor trusts or other trusts not required to file a federal tax return.

### LINE 4

Add the amounts on Lines 1, 2 and 3.

### LINE 5

If the estate or trust has any investments in partnerships or S corporations or any interest 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 interest income included in the amount reported for Line 1 of federal Form 1041 from all federal Schedule(s) K-1.

### LINE 6

If the estate or trust has investments in tax-exempt bonds, the amount of interest from direct obligations of the commonwealth or its instrumentalities is tax exempt for Pennsylvania purposes. Enter the amount of the estate or trust's tax-exempt interest from direct obligations of the Commonwealth of Pennsylvania and/or direct obligations of political subdivisions of Pennsylvania. Include on this line any interest income from obligations issued by the commonwealth, a public authority, commission, board or other agency created by the commonwealth or political subdivision of the commonwealth.

### LINE 7

An estate or trust that has interest income from direct obligations of the U.S. government must provide the amount of that interest as it is also tax exempt for Pennsylvania purposes. Enter the amount of any interest income from direct obligations of the U.S. government (U.S. Treasury Bonds, Notes, Bills,

Certificates and Savings Bonds). Do not include amounts from U.S. obligations reported on federal Schedule K-1(s).

## LINE 8

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 interest income and provide a description of the amounts. Examples include: interest on installment obligations that are included as gain on the sale of property for PA purposes; forfeited interest penalty; and amortization of bond premium. An example of the description for interest income earned while a nonresident would be "Forfeited Interest Penalty". Do not include expenses incurred to realize interest 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 9

Add the amounts on Lines 5, 6, 7 and 8.

## LINE 10

Subtract Line 9 from Line 4.

## LINE 11

### Distributions from life insurance, annuity or endowment contracts or charitable gift annuities included in federal taxable income

Distributions from a commercial insurance or mutual company annuity (code D also included with codes 1, 2, 3, 4 and 7) purchased as a retirement annuity, or any distributions from a life insurance or endowment contract or charitable gift annuity that are included in federal gross taxable income are taxable as interest income for Pennsylvania personal income tax purposes for an estate or trust.

## LINE 12

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

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

Enter the amount of interest 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. Include any U.S. government interest from federal Schedule(s) K-1, where PA Schedule(s) RK-1 is/are not provided, on Line 8 of PA Schedule A.

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

Submit all PA-20S/PA-65 Schedules RK-1 to support the amount reported on PA-41 Schedule A Line 12. Include a copy of federal Form 1065 Schedule K-1 if a PA-20S/PA-65 Schedule RK-1 is not supplied by a partnership, or entity formed as a limited liability company that is classified as a partnership for federal income tax purposes. If the estate or trust receives only a federal Form 1065 Schedule K-1, the estate or trust must adjust and classify the income from the federal Form 1065 Schedule K-1 according to Pennsylvania rules. See the PA PIT Guide, Chapter 16, Pass Through Entities, for additional information on the adjustments required and the proper classification of income.

## LINE 13

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

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

Enter the amount of interest 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. Include any U.S. government interest from federal Schedule(s) K-1, where PA Schedule(s) RK-1 is/are not provided, on Line 8 of PA Schedule A.

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 each PA S corporation.

Submit all PA-20S/PA-65 Schedules RK-1 to support the amount reported on PA-41 Schedule A Line 13. Include a copy of federal Form 1120S Schedule K-1 if a PA-20S/PA-65 Schedule RK-1 is not supplied by the S corporation or entity formed as a limited liability company that is classified as a S corporation for federal

income tax purposes. If the estate or trust receives only a federal Form 1120S Schedule K-1, the estate or trust must obtain a PA-20S/PA-65 Schedule RK-1 from the entity. The department will only permit the estate or trust to adjust and reclassify the income from the federal Form 1120S Schedule K-1 according to Pennsylvania rules in limited circumstances. See the PA PIT Guide, Chapter 16, Pass Through Entities, for additional information on the adjustments required and the proper classification of income.

## LINE 14

### Gambling and Lottery Winnings

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

*Example.* A Pennsylvania resident wins the Powerball on a ticket purchased in Maryland and elects the annuity payment option. A trust was established for the purpose of receiving the annual payout from the Maryland Lottery. Since the Powerball lottery ticket was purchased in Maryland, the winnings are taxable to a Pennsylvania resident trust. Therefore, the resident trust is required to report the income on PA Schedule A, Line 14 and on the PA-41 Fiduciary Income Tax Return, Line 1.

### Resident Estates and Trusts

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

### Nonresident Estates and Trusts

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

## LINE 15

### Total Interest Income and Gambling and Lottery Winnings

Add Lines 10, 11, 12, 13 and 14. Enter on Line 1 of the PA-41, Fiduciary Income Tax Return.