

Instructions for PA-41 Schedule DD

Distribution Deductions

PA-41DD (08-15)

WHAT'S NEW

Additional instructions are included in the Purpose of Schedule section regarding the completion of Columns A and B.

Separate headings were added for how to complete Line 1 for Column A for resident estates and trusts or for nonresident estates and trusts with resident beneficiaries.

Additional instructions were added for what to include on Line 1 for Column B when there is a nonresident estate or trust with PA-source income or a beneficiary other than an individual.

Additional instructions were added for Line 8 when a resident estate or trust has no resident beneficiaries or a nonresident estate or trust has resident beneficiaries.

The Line 15 instructions were rewritten to provide additional information and instructions for resident and nonresident estates and trusts with resident beneficiaries, resident estates and trusts with nonresident beneficiaries only or resident or nonresident estates and trusts with only nonresident individual beneficiaries.

GENERAL INFORMATION

PURPOSE OF SCHEDULE

An estate or trust must report its income as if it were both a resident estate or trust and a nonresident estate or trust.


Column A is used for the calculation as a resident estate or trust including all income from all sources.

Column A is also used to calculate the income for a nonresident estate or trust as if it were a resident estate or trust when the estate or trust has resident beneficiaries.

Column B is for the calculation as a nonresident estate or trust including income only from Pennsylvania sources.

Column B is also used to calculate the income for a resident estate or trust when an estate or trust has other estate or trust or partnership, limited liability company or PA S corporation beneficiaries.

This is necessary in order to provide information concerning income that may be taxable to Pennsylvania and for showing income allocable to both resident and nonresident beneficiaries.

 **CAUTION:** A taxable bankruptcy estate cannot distribute any of its income to beneficiaries. Do not complete PA-41 Schedule DD for a taxable bankruptcy estate.


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

Total Income from Line 7 of the PA-41 Fiduciary Income Tax Return

Column A – Line 1a

Enter in Column A, Line 1a the income reported as if this were a resident estate or trust.

Resident Estates and Trusts

If this is a resident estate or trust, enter the amount from the PA-41, Fiduciary Income Tax Return, Line 7.

Nonresident Estates and Trusts with Resident Beneficiaries

If this is a nonresident estate or trust, a separate calculation of the income must be made to report all the income from all sources as if this were a resident estate or trust.



TIP: If the estate or trust is a resident estate or trust and all the beneficiaries are residents of Pennsylvania, only Column A must be completed. Otherwise, Columns A and B must be completed.

Column B – Line 1b

Enter in Column B, Line 1b the amount of Pennsylvania taxable income reported as if this were a nonresident estate or trust.

If this is a nonresident estate or trust with no resident beneficiary, enter the amount from the PA-41, Fiduciary Income Tax Return, Line 7.

If this is a resident estate or trust without a resident beneficiary, a nonresident estate or trust with a resident beneficiary, a nonresident estate or trust with PA-source income distributed to a nonresident beneficiary or a resident or nonresident estate or trust with another estate or trust, partnership, limited liability company and/or PA S corporation (entity) as a beneficiary, a separate calculation of income must be made to include only the taxable income from Pennsylvania sources.

Use PA-41 Schedule N, Part 1 to calculate the total taxable income from Pennsylvania sources. Enter the amount from PA-41 Schedule N, Part 1, Line 6 as the total Pennsylvania-source income.

If this income is derived solely from interest, dividends, and/or the sale, exchange or disposition of intangible property (stocks, bonds, business interests, etc.), this figure will be zero.

LINE 2

Income Included in Line 1 Above But Not Distributable/ Distributed Under State Law or the Governing Instrument

Column A – Line 2a

Enter in Column A, Line 2a 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 (1) retained, accumulated or set aside for future distribution or disbursement, or (2) currently applied

to discharge, satisfy or reduce any person's legal obligations.

Also included in this line are any amounts that are permanently set aside for future distribution to a purely religious, charitable, scientific, literary, or educational organization. This would include those amounts shown on Line 16 of this schedule.

Column B – Line 2b

Enter in Column B, Line 2b the dollar amounts 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 (1) retained, accumulated or set aside for future distribution or disbursement, or (2) currently applied to discharge, satisfy or reduce any person's legal obligations.

Also included in this line are any amounts that are permanently set aside for future distribution to a purely religious, charitable, scientific, literary or educational organization. This would include the Pennsylvania-source portion of those amounts shown on Line 16 of this schedule.

LINE 3

Taxable Income Available for Distribution

Column A – Line 3a

Enter in Column A, Line 3a the amount obtained by subtracting Line 2a from Line 1a to arrive at the taxable income to be distributed.

Column B – Line 3b

Enter in Column B, Line 3b the amount obtained by subtracting Line 2b from Line 1b to arrive at the Pennsylvania taxable income to be distributed.

LINE 4

Total Distributable/Distributed Nontaxable Income

Column A – Line 4a

Enter the amount of 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 or life insurance, annuity and endowment contracts.

LINE 5

All Income Available for Distributions

Column A – Line 5a

Add the amounts on Lines 3a and 4a. This amount represents the total income available for distribution from both taxable and nontaxable sources.

LINE 6

Line 3a ÷ Line 5a

Column A – Line 6a

Divide the amount on Line 3a by the amount on Line 5a to determine the percentage. Calculated to four decimal places, . percent of the total taxable income (Line 3a) available for distribution compared to the total income available for distribution (Line 5a).

If Lines 3a and 5a are the same, this line will be 100 percent.

Example. Percentage conversion.
0.755555 = 75.5555 percent

LINE 7

Line 3b ÷ Line 5a

Column B – Line 7b

Divide the amount on Line 3b by the amount on Line 5a to determine the percentage. Calculated to four decimal places, . percent of the total Pennsylvania-source taxable income (Line 3b) available for distribution compared to the total income available for distribution (Line 5a).

If Line 3b is zero, the percentage will also be 0 percent.



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

LINE 8

Total Required to be Distributed

Column A – Line 8a

For a trust, enter the total of all amounts, whether taxable or not and whether from income or corpus or not, which are specifically required under the governing instrument to be distributed during the taxable year, whether actually distributed or not.

For resident trusts with no resident beneficiaries or nonresident trusts with

resident beneficiaries, enter the amounts as if any nonresident beneficiaries are resident beneficiaries.

LINE 9

Column A - Line 9a

For a trust, enter the amount of income specifically required under the governing instrument to be distributed during the taxable year that has been actually distributed, and/or the amounts that have or have not been actually distributed, but, under the governing instrument, are to be paid exclusively out of corpus.



TIP: In most cases, the difference in amounts reported on Lines 8a and 9a will be the difference between the amount of total income required to be distributed and the amount of income actually distributed (as included in both lines is the amount of corpus required to be distributed). As Line 9a also includes the amount of corpus actually distributed, the difference on Line 10a may result in a negative number (in some cases) when the amount of corpus actually distributed is more than the amount of corpus required to be distributed.

LINE 10

Total Distributable Currently

Column A – Line 10a

Subtract the amount on Line 9a from the amount on Line 8a to determine the total amount of undistributed income that the trust must distribute currently.

LINE 11

Total Cash Distributed

Column A – Line 11a

Estates or trusts should enter the total dollar amount of cash distributions made to beneficiaries during the taxable year.

Do not include amounts properly paid out of corpus as gifts or bequests of specific sums of money or amounts that were required to be distributed in any prior taxable year, but were not.

LINE 12

Total Property Distributed

Column A – Line 12a

Estates or trusts should enter the total market value of property distributions made to beneficiaries during the taxable year.

Do not include property distributed in-kind as a gift or bequest of specific property.

LINE 13

Total Distributable/Distributed Column A – Line 13a

Add Lines 10a, 11a and 12a to arrive at the total amount distributed/distributable by the estate or trust.

LINE 14a

Line 6a x Line 13a

Column A - Line 14a

Enter in Column A, Line 14a the product of multiplying Line 13a, the amount distributed/distributable, by the percentage on Line 6a.

This is the amount of the total amount distributed/distributable that is allocable to taxable income.

LINE 14b

Line 7b x Line 13a

Column B – Line 14b

Enter in Column B, Line 14b the product of multiplying Line 13a, the amount distributed/distributable, by the percentage on Line 7b.

This is the amount of the total amount distributed/distributable that is allocable to Pennsylvania-source taxable income.

LINE 15

Resident Estates and Trusts and Nonresident Estates and Trusts with Resident Beneficiaries

Resident estates and trusts and nonresident estates and trusts with resident beneficiaries should enter the lesser of Line 3a, the total taxable income to be distributed, or Line 14a, the amount of allocated total income actually distributed/distributable.

If all the beneficiaries are resident beneficiaries, the amounts shown on all PA-41 Schedules RK-1, Line 6, should total to equal the amount shown on Line 15 of PA Schedule DD.

If all the beneficiaries are individuals and there are resident and nonresident beneficiaries, the amount reported on Line 15 of PA Schedule DD will be as if all the beneficiaries who received distributions were PA residents. The amount reported on PA-41 Schedules RK-1 Line 6 for each resident beneficiary will be determined based upon the lesser of a beneficiary's actual percentage of income distributed or the actual amount distributed for each resident beneficiary. The amount reported on PA-41 Schedule NRK-1 Line 4 for each nonresident

beneficiary will be determined based upon the lesser of a beneficiary's actual percentage of PA-source income distributed or the actual amount of PA-source income distributed for each nonresident beneficiary.

If there are resident and nonresident beneficiaries who are individuals as well as estates, trusts, partnerships and/or S corporations (entities), the amounts reported on Line 15 of PA Schedule DD will also be as if all beneficiaries who received distributions were PA resident beneficiaries. The amount reported on PA-41 Schedules RK-1 Line 6 for each resident individual and each entity beneficiary will be determined based upon the lesser of a beneficiary's actual percentage of income distributed or the actual amount distributed for each resident individual beneficiary and each entity beneficiary. The amount reported on PA-41 Schedule NRK-1 Line 4 for each nonresident individual beneficiary and each entity beneficiary will be determined based upon the lesser of each nonresident individual and entity beneficiary's actual percentage of PA-source income distributed or the actual amount of PA-source income distributed for each nonresident individual and entity beneficiary.

Resident Estates and Trusts Only

If all the beneficiaries are nonresident individual or entity beneficiaries, the amount reported on Line 15 of PA Schedule DD will be as if all the beneficiaries who received distributions were PA resident individuals or entities. The amount reported on PA-41 Schedule NRK-1 Line 4 for each nonresident individual beneficiary and each entity beneficiary will be determined based upon the lesser of each nonresident individual and entity beneficiary's actual percentage of PA-source income distributed or the actual amount of PA-source income distributed for each nonresident individual and entity beneficiary.

Nonresident Estates and Trusts with Nonresident Individual Beneficiaries Only


If all the beneficiaries are nonresident individual or entity beneficiaries, the amount reported on Line 15 of PA Schedule DD will be the lesser of Line 3b, the total income allocable to Pennsylvania sources to be distributed, or Line 14b, the amount of allocated Pennsylvania-source income actually distributed. The amounts reported on PA-41 Schedule NRK-1 Line 4, should total to equal the amount shown on Line 15 of PA Schedule DD.

LINE 16

Charitable Distribution Deduction

Resident estates or trusts should enter the amount of taxable income included in PA-41 Schedule DD, Line 2a, for which a charitable distribution deduction is allowed.

Nonresident estates or trusts should enter the amount of Pennsylvania-source taxable income included in PA-41 Schedule DD, Line 2b for which a charitable distribution deduction is allowed.

 **CAUTION** This deduction is only allowed if the governing instrument requires that all or a part of the income is set aside for a purely religious, charitable, scientific, literary or educational organization, and this amount cannot be set aside to benefit a taxable beneficiary.

For example, if there is a possibility that the amount may be used to make up part of a payment of a guaranteed amount to a taxable beneficiary, this amount may not be deducted.

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.

This line contains only the portion of the income from Line 2a, 2b, or both, that satisfies the conditions in the preceding sentence. No amount included on Line 2a or 2b of PA-41 Schedule DD will be considered permanently set aside or used exclusively for the benefit of such organizations unless, under applicable law or the terms of the estate or trust's 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.

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.

Calculation 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 that would be properly reported on PA-41 Schedule DD, Line 1a or PA-41 Schedule DD, Line 1b in the case of a nonresident estate or trust, where such receipts or proceeds are the only items of income for the year.

Otherwise, the charitable deduction is that portion of the amount reported on PA-41 Schedule DD, Line 2a or PA-41 Schedule DD, 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.

LINE 17

Nonresident Estate or Trust with Resident Beneficiary Adjustment

If the estate or trust is a nonresident estate or trust with a resident beneficiary and the entire amount of income from the nonresident estate or trust has not been distributed to the beneficiary(ies), you must calculate the amount of intangible income and non-Pennsylvania-source income not distributed by the nonresident estate or trust. Otherwise, enter zero. To calculate the amount, use the following formula:

- a. Add the amounts on Lines 15 and 16 of Schedule DD and subtract the result from the amount on Line 7 of the PA-41.
- b. Subtract the amount on Line 14b of Schedule DD from the amount on Line 3b of Schedule DD. If the result is less than zero, use zero as the result.

- c. Add the result of the calculation for b, above, to the amount on Line 2b of Schedule DD and subtract the result from the amount determined by a and enter the result on Line 17 of Schedule DD.

LINE 18

Total Deduction from PA Schedule DD

Add Lines 15, 16 and 17. Enter the result here and on PA-41, Fiduciary Income Tax Return, Line 8.