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PENNSYLVANIA ESTATES AND TRUSTS

Overview

Estates and trusts are taxpayers for Pennsylvania personal income tax purposes. They are required to report and pay tax on the income (from PA's eight taxable classes of income) that they receive during their taxable year. Estates and trusts report income on the PA-41 Fiduciary Income Tax return.

Estates and trusts are entitled to deduct from their income any distribution of income that they are required to distribute (under the governing instrument or state law) or actually pay or credit to a beneficiary.

Pennsylvania resident beneficiaries of estates and trusts must report income received or credited from estates or trusts on their PA-40 Pennsylvania Personal Income Tax return as a separate class of income—"income derived through estates or trusts"—for Pennsylvania personal income tax purposes. Although income from an estate or trust does not retain its same classification for the beneficiary, the income does retain its same "character" or source (Pennsylvania source or non-Pennsylvania source). Therefore, Pennsylvania nonresident beneficiaries of estates and trusts must report income received or credited from estates and trusts from Pennsylvania sources.

Estate

- **Overview**
  An estate is an artificial entity that comes into being as the result of the death of an individual and consists of the property that the decedent owns upon his or her death. An estate also includes a certain bankruptcy estates. Refer to Bankruptcy Estates, below for additional information.

  An estate for Pennsylvania purposes does not include the estates of living incompetents. The incompetent's guardian acts for the incompetent and reports all the incompetent's income on the PA-40 Personal Income Tax Return filed for the incompetent.

- **Resident Estate**
  A resident estate is the estate of a decedent who at the time of his death was a resident individual in Pennsylvania. The single controlling factor in determining if an estate is a resident estate shall be whether the decedent was a Pennsylvania resident individual at the time of his death. The residences of the fiduciary and the beneficiaries of the estate are immaterial.

- **Nonresident Estate**
  Pennsylvania tax law defines a nonresident estate as any decedent's estate that is not a resident estate of Pennsylvania.

Trusts

- **Overview**
  A trust is a separate taxpayer if, under the governing instrument and applicable State law, it is irrevocable. If a trust is revocable, the settlor is deemed the recipient of the income or gains of the trust, and must report such income on his or her individual tax return.

- **Resident Trust**
  A resident trust is a taxpayer who is any of the following:

  - A trust created by a settlor (or any of its settlors) who was a Pennsylvania resident at the time the trust was created; or

  - A trust that consists in whole or in part for any part of the taxable year of real or personal property transferred to it by a person who at the time of the transfer was a Pennsylvania resident; or

  - It was created by the will of a decedent who, at the time of his death, was a Pennsylvania resident.

The single controlling factor in determining if a trust is a resident trust for Pennsylvania purposes is whether the decedent, the person creating the trust, or the person transferring the property to the trust was a Pennsylvania resident. The residences of the fiduciary and the beneficiaries of the trust are immaterial.

- **Nonresident Trust**
  A nonresident trust is any taxpayer trust that is not a resident trust.

- **Trusts That Are Not Pennsylvania Taxpayers**
  A trust for Pennsylvania personal income tax purposes does not include:

  - A settlor-revocable trust (*see* grantor trusts and settlor-revocable trusts below);
  - A charitable trust (*see* charitable trust below);
  - A resulting or constructive trust created by operation of law;
  - A trust created exclusively for the benefit of creditors;
  - A principal and agent relationship;
  - A business trust or real estate investment trust;
  - A trust created exclusively for the benefit of employees, their families, or appointees under an employee benefit plan;
  - A pension trust or profit-sharing trust;
  - A trust that is a common trust fund for federal income tax purposes;
  - A trust for the benefit of corporate shareholders established to complete the liquidation of a corporation (*see* Liquidating Trusts below);
  - Qualified settlement funds and other trusts that are treated as corporations or partnerships for federal income tax purposes;
  - Nuclear power plant decommissioning trusts (*see* Nuclear Power Plant Decommissioning Trusts below); or
  - Pre-need funeral trusts or cemetery merchandise trusts (*see* Pre-need Funeral Trusts or Cemetery Merchandise Trusts below).

Charitable Trust

A charitable trust is one operated exclusively for religious, charitable, scientific, literary, or educational purposes. A trust is a charitable trust only if all of the net earnings for the taxable year and remaining life of the trust are for distribution for such purposes. No part of the earnings of a charitable trust may benefit any beneficiary who is a private individual.

> **NOTE:** A trust that is not operated exclusively for charitable purposes is not a charitable trust. However, the trust document may contain provisions that provides for the retention of a portion of its income to be used exclusively for charitable purposes. In such cases, the trust is still a taxpayer and must file a return, but it may take a deduction for the income set aside exclusively for charitable purposes. Refer also to Part III, Section O, PA-41 Schedule DD, for additional information.

Federally qualified charitable remainder annuity trusts (CRAT) and charitable remainder unitrusts (CRUT) are not Pennsylvania charitable trusts if, during the current taxable year:

- Any part of the trust’s retained earnings may benefit any private individual in subsequent years; or

- Any part of the trust's income is required to be currently distributed or is distributed or credited to any private individual.

Since CRATs and CRUTs are not charitable trusts for Pennsylvania purposes, they are required to file the PA-41 Fiduciary Income Tax Return.

Trusts for the general care, maintenance, or improvement of public or church cemeteries are charitable trusts. However trusts for the care, maintenance or improvement of the burial lots of the settlor, testator or his or her family are not charitable trusts.

Grantor Trusts and Revocable Trusts

Pennsylvania law differs from federal law regarding grantor trusts. Pennsylvania law imposes the income tax on grantor trusts according to the same Pennsylvania personal income tax rules that apply to irrevocable trusts unless the grantor trust is a wholly revocable trust.

Grantor trusts other than settlor-revocable trusts are required to file the PA-41 Fiduciary Income Tax Return. The beneficiaries of the trust are taxed on income required to be distributed currently or actually distributed or credited to them. The grantor trust is taxable on the remainder.

IMPORTANT: Although a grantor trust may not be required to obtain a federal employer identification number (FEIN) for federal income tax purpose, it is recommended that irrevocable grantor trusts, intentionally defective grantor trusts or any other trust other than a settlor-revocable trust obtain an FEIN for state filing purposes. Trusts that fail to obtain an FEIN and use the SSN of the grantor as the EIN risk the misapplication of tax payments made on behalf of the trust or the denial of an electronically filed return. The department does not and will not issue state identification numbers for grantor trusts.

INCOME TAX RETURN OF AN ESTATE OR TRUST

Calculation of Taxable Income

- **Overview**
  The taxable income of an estate or irrevocable trust is the current income or gains that it receives in the eight enumerated classes of income that is not required to be distributed to a beneficiary currently, and is not paid or credited to a beneficiary. The determination of whether income or gains are required to be distributed currently or is in fact paid or credited to the beneficiary is made under the governing instrument and applicable state law.

  Each estate or irrevocable trust must classify and report all income and gain (loss) realized in the appropriate Pennsylvania income classes. Estates or trusts cannot offset income in one Pennsylvania income class with a loss in any other Pennsylvania income class. Estates or trusts cannot carry income or loss back or forward to other tax years.

- **Pennsylvania Resident Estate or Trust**
  A Pennsylvania resident estate or trust is taxed on all income received in the eight enumerated classes of income from all sources, that is not required to be distributed to a beneficiary currently, and is not paid or credited to a beneficiary, in the same manner as a resident individual.

- **Nonresident Estate or Trust**
  A nonresident estate or trust is taxed on income received in the eight enumerated classes of income received from sources within this Commonwealth, that is not required to be distributed to a beneficiary currently, and is not paid or credited to a beneficiary, in the same manner as a nonresident individual. A nonresident estate or trust must ignore items of income, loss, cost, expense and liability that are not directly related to Pennsylvania when calculating its Pennsylvania-taxable income.

- **Resident Beneficiaries**
  The taxable income of a resident beneficiary from a resident or nonresident estate or irrevocable trust is the taxable income from all sources received by the estate or trust for its taxable year that under the governing instrument and applicable state law, the estate or trust distributed, or must distribute currently, credited, or paid to the beneficiary.

- **Nonresident Beneficiaries**
  The taxable income of a nonresident beneficiary from a resident or nonresident estate or irrevocable trust is the taxable income received by the estate or trust for its taxable year that under the governing instrument and applicable state law, the estate or trust distributed, or must distribute currently, credited, or paid to the beneficiary; and is Pennsylvania-source income.

  The estate or trust income which is taxable to Pennsylvania includes net income (loss) from the operation of a business, profession or farm, net gain (loss) from the sale, exchange or disposition of property, and net income (loss) from rents, royalties, patents and copyrights from Pennsylvania sources. It does not include investment interest, dividends or income not from Pennsylvania sources.

- **Gifts and Bequests**
  A beneficiary is not taxable on any amount paid or credited as a gift or bequest of specific property or of a specific sum of money if:

  - The will or trust instrument provides for the gift or bequest;
  - The money or property is ascertainable under the terms of the will as of the decedent's death or ascertainable under the terms of an irrevocable inter vivos trust instruction as of the date of the trust's inception; and
  - No part of the payment or credit is paid from the current or accumulated income (in the trust accounting sense) of the trust.

  None of the following constitute a specific bequest:

  - A distribution of the income earned by a specific bequest of property or a distribution with respect to an intestate estate;
  - Mandatory or discretionary distributions of current or accumulated income;
  - Annuity payments; and
  - The final required trust distribution of the remaining corpus as it then exists.

- **Costs and Expenses**
  A fiduciary may deduct only the ordinary, necessary and reasonable costs and expenses directly incurred in realizing income (loss) from:

  - The operation of a business or farm;
  - The sale, exchange or other disposition of property; and
  - The receipt of rental or royalty income.

  Such expenses are deductible in determining the amount of net profits, net gains and net rental, royalty, patent and copyright income.

  A fiduciary may not deduct:

  - Expenses and fees related to administering the estate or trust;
  - Costs and expenses attributable to earning or receiving interest or dividend income or managing securities holdings of the estate or trust (unless permitted per PA Personal Income Tax Guide – Interest and PA Personal Income Tax Guide - Dividends);
  - Costs and expenses attributable to receiving income from other estates or trusts;
  - Inheritance, succession, estate or gift taxes or taxes based on income;
  - Funeral expenses;
  - Expenses for preservation or maintenance of non-income-producing property;
  - Expenses related to exempt income; and
  - Satisfaction of personal debts of the decedent.

When to File an Income Tax Return for an Estate or Trust

A personal representative of decedent's estate or a trustee must file a PA-41 Fiduciary Income Tax Return (along with a copy of Federal Forms 1041 or 5227 and all supporting schedules) if he or she is a fiduciary of:

- A resident estate or trust that received taxable income during its taxable year or incurred a loss;
- A nonresident estate or trust that received taxable Pennsylvania-source income or incurred a Pennsylvania-source loss during its taxable year; or
- A nonresident estate or trust with a Pennsylvania resident beneficiary if the estate or trust received taxable income or incurred a loss during its taxable year.

If the department requests, the fiduciary of an estate or trust must file a copy of the will or trust instrument (including amendments), a written declaration under the penalties of perjury that the instrument is a true and complete copy, and a statement indicating which provisions, in the fiduciary's opinion, determine the extent of taxable income to the estate or trust or the beneficiaries.

How to File an Income Tax Return for an Estate or Trust

Refer to the Instructions for Form PA-41, Pennsylvania Fiduciary Income Tax Return, for specific instructions regarding mailing the return, payment of the tax, due dates, extensions of time to file, penalties and interest, and other filing information.

Separate Return for Each Estate or Trust

A trustee of two or more trusts must make a separate return for each trust even though the trusts were created by the same individual for the same beneficiaries. Pennsylvania does follow IRC Section 645 elections to report the income from a revocable trust as part of the estate. Separate returns must be filed for the estate and trust created by the death of the taxpayer.

Throwback Rules Do Not Apply

Throwback rules that apply under federal law do not apply under Pennsylvania personal income tax.

Resident Credit

A resident estate or trust may claim a resident credit, if it is subject to and pays income tax to another state on income taxable in the same taxable year to both Pennsylvania and the other state. This credit cannot exceed the amount of Pennsylvania tax the estate or trust owes. To claim the resident credit, the estate or trust must submit a complete PA-40 Schedule G-L Resident Credit for Taxes Paid to Other States. The credit cannot be assigned or passed through to beneficiaries.

NOTE: For tax years beginning on or after Jan. 1, 2014, a "state" does not include a foreign country.

Requirement to Withhold Tax

For tax years beginning on or after Jan. 1, 2014, a resident or nonresident estate or trust that distributes Pennsylvania-source income to nonresident beneficiaries must have nonresident withholding calculated and paid by the fiduciary with the filing of the PA-41 Fiduciary Income Tax Return on the Pennsylvania-source income distributed to those nonresident beneficiaries. A fiduciary should use PA-41 Schedule N, PA-Source Income and Nonresident Tax Withheld to calculate the amount of Pennsylvania-source income distributed and the amount of nonresident tax withheld for each beneficiary. The amount of nonresident withholding determined for each nonresident beneficiary is also reported on Line 6 of the PA-41 Schedule NRK-1. Nonresident withholding reported to a nonresident beneficiary is reported on Line 17 of the PA-40 Personal Income Tax Return of a nonresident or Line 14 of the PA-41 Fiduciary Income Tax Return.

Nonresident Estates or Trusts with Pennsylvania Resident Beneficiaries

Nonresident estates or trusts with Pennsylvania resident beneficiaries are required to file the PA-41 Fiduciary Income Tax Return for tax years beginning on or after Jan. 1, 2014. The taxable income of such estates and trusts is determined as if the estate or trust is a Pennsylvania resident trust for purposes of determining the income distributed to the Pennsylvania resident beneficiaries.

Estate or Trust is Member of PA S Corporation or Partnership

Please refer to PA Personal Income Tax Guide – Pass Through Entities. If the estate or trust is a member of a partnership or a shareholder in a PA S corporation, it must report its share of the income (loss), whether distributed or not, in the same class in which the partnership or PA S corporation received the income. Each resident estate or trust must submit with its PA-41 Fiduciary Income Tax Return a copy of the PA-20S/PA-65 Schedule RK-1 from each partnership or PA S Corporation. Each nonresident estate or trust must submit with its PA-41 Fiduciary Income Tax Return a copy of the PA-20S/PA-65 Schedule NRK-1 from each partnership or PA S corporation.

PA-41 Schedule DD

PA-41 Schedule DD, Distribution Deduction Schedul*e* is designed to calculate how much of the income or gain received by the estate or trust is taxable to the estate or trust and how much of the income or gain is deductible because it is distributed or distributable to beneficiaries. The deduction for distributions to beneficiaries, however, is determined by reference not only to an estate or trust's distributable net income but also to its distributable net income from sources within Pennsylvania.

In determining the distribution deduction, the specific provisions of the governing instrument are controlling if it specifically provides the amounts of income (in the trust accounting sense) and source from which amounts are to be distributed, permanently set aside or used. However, usually the amounts and sources are not specified. In this instance, the applicable distributable net income of the estate or trust sets the limit on the deduction for distributions to beneficiaries. It also usually limits the amount of the distribution taxable to the beneficiary.

Provisions of a governing instrument that depart fundamentally from concepts of local law and primarily serve a tax avoidance purpose shall be disregarded.

PA-41 Schedule DD also is used to report how much of the taxable income or gain that would be taxable to the trust was set permanently aside for charitable purposes and is, therefore, exempt from tax.

No deduction is allowed for any amount paid or credited as a gift or bequest of specific property or of a specific sum of money if the beneficiary is not taxable on the amount under Section R – Distributions to Beneficiaries.

Schedule RK-1 or NRK-1 Required

Estates and trusts report distributions of income to their beneficiaries on PA-41 Schedules RK-1 and NRK-1. Estates and trusts may not submit federal Schedules K-1 in lieu of Pennsylvania Schedules K-1.

Income in Respect of Decedent

The federal rules for income in respect of decedent are not controlling. Pennsylvania has no rule similar to that for federal income tax purposes that governs income in respect of a decedent. Therefore, income in respect of a decedent is not includible on the tax return of the decedent or the estate tax return of the decedent. Assuming the decedent used the cash basis of accounting before his death, his or her final return would include only income actually or constructively received through the date of death.

Any item of income or deduction that would have been reportable on the last return if the taxpayer had personally used the accrual method of accounting that is not reportable or deductible thereon using the cash basis method is taxable to, or deductible by, neither the decedent nor his estate, heirs or beneficiaries. For example, taxpayer earned a bonus as of Dec. 31 payable on April 15, but taxpayer died on March 15. This income would not be taxable anywhere.

Amended Returns

Estates and trusts file amended returns in a manner similar to individuals. Estates and trusts must attached a Schedule PA-41X to an amended PA-41. In addition, estates and trusts must also submit amended PA-41 Schedules RK-1 and NRK-1. Refer to PA Personal Income Tax Guide – Brief Overview and Filing Requirements for Pennsylvania Personal Income Tax Returns, Amended Returns, for more information.

NOTE: Do not send a copy of the original PA-41, Fiduciary Income Tax Return with the amended PA-41 Fiduciary Income Tax Return.

IMPORTANT: A resident trust that believes that it should be a nonresident trust cannot file an amended return to declare itself to be a nonresident trust. The trust must file a REV-65 Petition for Refund with the Board of Appeals to have a decision and order issued for changing the residency status.

IMPORTANT: Do not file an amended PA-41 Fiduciary Income Tax Return after the department issues an assessment if the amendment relates to the same taxable year and assessed item of income, gain, deduction, or loss. In this instance, you must either file a timely petition for reassessment or pay the assessment and file a timely petition for a refund.

FIDUCIARY DUTIES

Fiduciary Must File a Return

The fiduciary of an estate or trust is required under Pennsylvania law to file a PA-41 Fiduciary Income Tax Return, and pay the tax on the taxable income of such estate or trust. If two or more fiduciaries are acting jointly, the return may be filed by any one of them.

Fiduciary Can Be Personally Liable

The executor, administrator or trustee remains liable for tax after his or her discharge if he or she had notice of obligations or failed to exercise due diligence in ascertaining whether or not such obligations existed prior to distribution and discharge.

Upon payment of the tax, interest and penalty liability determined to be due, the fiduciary shall be discharged from personal liability except upon proof of fraud, misrepresentation or nondisclosure of a material fact.

Liability May Follow Assets Distributed to Beneficiaries

Liability for the tax follows estate assets distributed to heirs, devisees, legatees and distributees, who may be required to discharge the amount of the tax due and unpaid to the extent of the assets distributed to them from the estate or trust. The same considerations apply to trusts.

SPECIAL SITUATIONS

Liquidating Trusts

The income of a trust for the benefit of corporate shareholders established to complete the liquidation of a corporation is taxed to the taxpayer that furnished the consideration for the creation of the trust.

Nuclear Power Plant Decommissioning Trusts

The income of a nuclear power plant decommissioning trust is taxed to the taxpayer that furnished the consideration for the creation of the trust.

Pre-Need Funeral Trusts or Cemetery Merchandise Trusts

The income of pre-need funeral trusts or cemetery merchandise trusts (whether or not electing federally qualified funeral trust status) is taxed to the taxpayer that furnished the consideration for the creation of the trust.

Burial fund earnings are taxable income for Pennsylvania residents when the funeral home holds the account in the name of the taxpayer to pay the future funeral expenses of the taxpayer. Irrevocable burial funds are not taxable to the taxpayer. The funeral home reports the income as the custodian of the account on the PA-41 Fiduciary Income Tax Return. If the interest earned is income from a standard savings account it is taxable for Pennsylvania purposes.

A funeral trust is a revocable trust that arises from a contract with a person engaged in the business of providing funeral or burial services or property for these services, with the trust assets designated to pay the funeral expenses of the individual for whom the trust is established. The value of assets deposited into a funeral trust is limited to $12,500 in Pennsylvania. The assets cannot be withdrawn for any reason until after the death of the individual for whom the trust was established. Due to the specific limitations in assets to establish withdrawals and uses, funeral trusts are not required to file the PA-41 Fiduciary Income Tax Return, for Pennsylvania personal income tax purposes.

Qualified Subchapter S Trust (QSST)

For Pennsylvania personal income tax purposes, the trust is required to file a PA-41 Fiduciary Income Tax Return and distribute the income to the income beneficiary. The income shall be reported to the income beneficiary as trust income.

BANKRUPTCY ESTATES

Overview

Pursuant to Title 11, Section 346(a) of the U.S. Bankruptcy Code, the Commonwealth is required to treat the bankruptcy estate of a Chapter 7 or 11 bankruptcy debtor created under Section 1398 of the Internal Revenue Code of 1986 as an estate for Pennsylvania personal income tax purposes. Such Bankruptcy estates are required to file the PA-41 Fiduciary Income Tax Return to report the income attributable to the bankruptcy estate. Any other trust created exclusively for the benefit or creditors is not required to file the PA-41 Fiduciary Income Tax Return.

What to File

A bankruptcy estate is required to complete a PA-41 Fiduciary Income Tax return to report the income attributable to the bankruptcy estate. The bankruptcy estate~~s~~ uses a pro-forma PA-40 Personal Income Tax to include the income (loss), deductions and credits attributable to the bankruptcy estate by the bankruptcy court. The pro-forma PA-40 is required to be included with the PA-41 Fiduciary Income Tax Return of the bankruptcy estate. The taxable income from Line 11 of the pro-forma PA-40 Personal Income Tax Return is reported as estate income on PA-41 Schedule J.

Calculation of Bankruptcy Estate Income on Pro-forma PA-40

The income of a taxable bankruptcy estate must be reported and taxed to the bankruptcy estate. The bankruptcy estate’s income reported on the PA-41 Fiduciary Income Tax Return is calculated in the same manner as it would be calculated and reported on the PA-40 Personal Income Tax Return by the bankruptcy debtor. This includes income (loss) realized from all the classes of income for filing a PA-40 Personal Income Tax Return including compensation, as well as permitting the deductions for health and medical savings accounts and IRC Section 529 qualified tuition program contributions and all credits except Tax Forgiveness. All income, gain, (loss), deductions and credits allocated to a taxable bankruptcy estate will be reported on the pro-forma PA-40 Personal Income Tax Return which must be included with the PA-41 Fiduciary Income Tax Return of the bankruptcy estate. It does not include any income (loss), deductions or credits that must remain with the bankruptcy debtor taxpayer who completes a PA-40 Personal Income Tax Return to report that income. All income (loss) allocated to a bankruptcy estate by the bankruptcy court must be reported on the pro-forma PA-40 Personal Income Tax Return using the personal income tax rules. Nonresident taxpayers with Pennsylvania-source income allocated to a bankruptcy estate must also report the income on a pro-forma PA-40 Personal Income Tax Return determined as if the income were reported by a nonresident taxpayer.

No Distribution of Bankruptcy Estate Income

The total bankruptcy estate income reported on Line 8 of the PA-41 Fiduciary Income Tax Return cannot be reduced by a distribution to a beneficiary. It may be used to pay the debts of the bankruptcy debtor, but no reduction in taxable income is taken for the personal debts paid by the bankruptcy estate.

Other Pro-forma PA-40 Personal Income Tax Return Completion Items

When completing the pro-forma PA-40 Personal Income Tax Return, use the following guidelines:

- Write “PRO-FORMA RETURN” across the top of the return;
- The name, address and social security number of the bankruptcy debtor must be completed;
- Returns must be filed using the “Single” or “Married, Filing Separately” filing status and joint returns are not permitted even if a joint bankruptcy petition is filed;
- School district codes are not required;
- Date of residency for a part-year resident may be required to be included;
- Date of death may be required to be included;

- All schedules and statements reporting income on the return are required to be included;
- Schedules showing the allocation of return items are required to be included if any income, deductions, withholding, estimated payments or credits are allocated between the bankruptcy estate and the bankruptcy debtor's personal return;
- Tax withheld, estimated payments, and all tax credits except the Tax Forgiveness credit allocated to the bankruptcy estate included on the pro-forma PA-40 Personal Income Tax Return are to be transferred to the corresponding lines of the PA-41 Fiduciary Income Tax Return;
- The bankruptcy debtor is not required to sign; and
- The paid preparer is required to include name and telephone number.

PA-41 Fiduciary Income Tax Return Completion Items

When completing the pro-forma PA-41 Fiduciary Income Tax Return of the bankruptcy estate, use the following guidelines:

- Report the income from Line 11 of the pro-forma PA-40 Personal Income Tax Return on PA-41 Schedule J;
- Use "Pro-Forma PA-40" as the name for the estate on PA-41 Schedule J;
- Transfer any tax withheld, estimated payments and any credits except Tax Forgiveness from the pro-forma PA-40 Personal Income Tax Return to their respective lines on the PA-41 Fiduciary Income Tax Return; and
- Include the copy of the pro-forma PA-40 Personal Income Tax Return with the PA-41 Fiduciary Income Tax Return after the PA-41 or the REV-276, Application for Extension of Time to File.

PA-40 Personal Income Tax Return of Bankruptcy Debtor Completion Items

When completing the PA-40 Personal Income Tax Return of the bankruptcy debtor for income and deductions not allocated to the bankruptcy estate, use the following rules in the preparation of the return:

- Schedules showing the allocation or return items are required to be included if any income, deductions, withholding, estimated payments or credits are allocated between the bankruptcy debtor's personal return and the bankruptcy estate; and
- The total income from Line 9 of the pro-forma, PA-40 Personal Income Tax Return and any nontaxable income allocated to the bankruptcy estate that would be eligibility income for Tax Forgiveness on PA-40 Schedule SP are also included as eligibility income on Part C, Line 10, Cash received for personal purposes from outside your home, of PA-40 Schedule SP.