Instructions for Schedule K-1 (Form 1041) for a Beneficiary Filing Form 1040

Note. The fiduciary's instructions for completing Schedule K-1 are in the Instructions for Form 1041.

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments
For the latest information about developments related to Schedule K-1 (Form 1041) and its instructions, such as legislation enacted after they were published, go to IRS.gov/Form1041.

What’s New
Employee retention credit. Disaster relief enacted for those impacted by Hurricane Harvey, Irma, or Maria includes a provision for the employee retention credit, a portion of which may be allocated to the beneficiary of an estate or trust. See Code Z. Other credits, later, for information about the beneficiary’s share of the credit. For more information about disaster relief, see Pub. 976, Disaster Relief.

Reminders
Beneficiary's identification number. For your protection, Schedule K-1 may show only the last four digits of your identifying number (social security number (SSN), etc.). However, the estate or trust has reported your complete identifying number to the IRS.

Net investment income tax. This tax applies to certain investment income of individuals, estates, and trusts. Use Form 8960, Net Investment Income Tax—Individuals, Estates, and Trusts, and its instructions to figure your net investment income tax.

Backup withholding. If Schedule K-1 shows backup withholding in box 13, code B, attach a copy to your return.

General Instructions
Purpose of Form
Use Schedule K-1 to report a beneficiary’s share of the estate’s or trust’s income, credits, deductions, etc. on your Form 1040, U.S. Individual Income Tax Return. Keep it for your records. Don’t file it with your tax return, unless backup withholding was reported in box 13, code B.

Inconsistent Treatment of Items
Generally, you must report items shown on your Schedule K-1 (including attached schedules) the same way that the estate or trust treated the items on its return.

If the treatment of an item on your original or amended return is inconsistent with the estate’s or trust’s treatment (or if the estate or trust was required to but hasn’t filed a return), you must file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), with your original or amended return to identify and explain any inconsistency (or to note that an estate or trust return hasn’t been filed).

If you are required to file Form 8082 but fail to do so, you may be subject to the accuracy-related penalty. This penalty is in addition to any tax that results from making your amount or treatment of the item consistent with that shown on the estate’s or trust’s return. Any deficiency that results from making the amounts consistent may be assessed immediately.

Errors
If you believe the fiduciary has made an error on your Schedule K-1, notify the fiduciary and ask for an amended or a corrected Schedule K-1. Don’t change any items on your copy. Be sure that the fiduciary sends a copy of the amended Schedule K-1 to the IRS. If you are unable to reach an agreement with the fiduciary regarding the inconsistency, you must file Form 8082.

Beneficiaries of Generation-Skipping Trusts
If you received Form 706-GS(D-1), Notification of Distribution From a Generation-Skipping Trust, and paid a generation-skipping transfer (GST) tax on Form 706-GS(D), Generation-Skipping Transfer Tax Return for Distributions, you can deduct the GST tax paid on income distributions on Schedule A (Form 1040), line 8. To figure the deduction, see the Instructions for Form 706-GS(D).

Specific Instructions
Part I—Information About the Estate or Trust
Item E
If the Item E box is checked, this is the final year of the estate or trust.

Note. If the “Final K-1” box at the top of Schedule K-1 is checked, this is the final return for the beneficiary.

Part III—Beneficiary’s Share of Current Year Income, Deductions, Credits, and Other Items
The amounts shown in boxes 1 through 14 reflect your share of income, loss, deductions, credits, etc., from an estate or trust. For Form 1040 filers, page 2 of Schedule K-1 provides summarized reporting information. The summarized reporting information reflects references to forms in use for calendar year 2017.

Note. If you are not an individual, report the amounts in each box as instructed on your tax return.

Codes. In box 9 and boxes 11 through 14, the fiduciary will identify each item by entering a code in the column to the left of the dollar amount entry space. These codes are identified on page 2 of Schedule K-1.

Attached statements. The fiduciary will enter an asterisk (*) after the code, if any, in the column to the left of the dollar amount entry space for which it has attached a statement providing additional information. For those informational items that cannot be reported as a single dollar amount, the estate or trust will enter an asterisk in the left column and write “STMT” in the dollar amount entry space to indicate the information is provided on an attached statement.

Box 1—Interest
This box reports the beneficiary’s share of the taxable interest income. This amount
Box 2b—Qualified Dividends and Net Long-Term Capital Gain
The amount reported in this box is your distributive share of royalties, annuities, and other income that isn’t subject to the passive activity rules. It also includes income in respect of a decedent (IRD), see Pub. 925, Passive Activity and At-Risk Rules.

Box 9—Directly Apportioned Deductions
The fiduciary must attach a statement showing depreciation, depletion, and amortization directly apportioned to you, if any, for each activity reported in boxes 5 through 8.

Box 10—Estate Tax Deduction (Including Certain Generation-Skipping Transfer Taxes)
If an estate or trust distributes income in respect of a decedent (IRD) to a beneficiary, the beneficiary is entitled to deduct the portion of the estate tax imposed on the decedent’s estate which is attributable to the IRD distributed to the beneficiary. You may claim this amount on line 28 of Schedule A (Form 1040) as a miscellaneous itemized deduction not subject to the 2% floor. For an example on how this amount was computed, see Regulations section 1.691(c)-2 and Pub. 559,

Box 11, Codes D and E—NOL Carryover
Upon termination of a trust or decedent’s estate, a beneficiary succeeding to its property is allowed to deduct any unused net operating loss (NOL) if the carryover would be allowable to the trust or estate in a later tax year but for the termination. The deduction for regular tax purposes, reported as code D, is reported on Form 1040, line 21.

A deduction for an Alternative Tax NOL (ATNOL) carryover for Alternative Minimum Tax (AMT) purposes, reported as code E, is reported on Form 6251, line 11.

Box 12—Alternative Minimum Tax Items
The information reported in box 12, codes A through I is used to prepare your Form 6251. Code A, Adjustment for minimum tax purposes, is the total amount reported on Form 6251, line 15. Codes B through F represent the portion, if any, of the amount included in code A.

Codes B through F. If you have an amount in box 12 with code B, C, D, E, or F, see the instructions for lines 37, 38, and 39 of Form 6251.

Codes G through I. Include the amount with any of these codes on the applicable line of Form 6251.

Box 13—Credits and Credit Recapture
Codes A through Q, and code Z, list all the credits that may be allocated to you as a beneficiary.

Generally, you must file the source credit form along with Form 3800, General Business Credit, to claim the general business credits listed on Schedule K-1 (Form 1041), codes C through Q and code 26251.

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Qualified investment for figuring the credit.

Code E. Other qualifying investment credit. This code is used to report the qualified investment for figuring the qualifying advanced coal project credit, the qualifying gasification project credit, and the qualifying advanced energy project credit. The fiduciary must provide you with a statement that shows the information you will need and where to report it on Form 3468 so that you can figure the amount of the previously listed credits that you may claim.

Code H. Biofuel producer credit. See the Instructions for Form 6478 for more information. If your only source for the credit is a pass-through entity, such as an estate or trust, you can report the amount on Form 3800, Part III, line 4c.

Code J. Renewable electricity, refined coal, and Indian coal production credit. The fiduciary must provide you with a statement showing the amount of credit to report on Form 8835, line 19 (including the allocation of the credit for production during the 4-year period beginning on the date the facility was placed in service and for production after that period). If your only source for the credit is a pass-through entity, you can report the amount from line 19 directly on Form 3800, Part III, lines 1f and 4e, as applicable. Otherwise, complete Form 8835 as directed.

Code O. Biodiesel and renewable diesel fuels credit. If this credit includes the small agri-biodiesel producer credit, the fiduciary will provide additional information on an attached statement. If no statement is attached, report this amount on line 9 of Form 8864. If a statement is attached, see the Instructions for Form 8864, line 11.

Code R. Recapture of credits. If you are required to recapture any credits, the fiduciary will provide a statement with the information you need to figure your credit recapture.

Code Z. Other credits. This code is used to report the beneficiary’s share of the employee retention credit. For more information on the employee retention credit, see the Instructions for Form 5884-A. If your only source for the employee retention credit is a pass-through entity, such as an estate or trust, you can report the amount directly on Form 3800, Part III, line 1a.

Box 14—Other Information

Code C. Qualified production activities income. If any of the income is oil-related qualified production activities income, the fiduciary must give you a statement that shows the amount. Enter the oil-related amount on Form 8903, Domestic Production Activities Deduction, line 7, col. (a). Enter the amount from all activities on Form 8903, line 7, col. (b).

Code F. Gross farming and fishing income. The amount of farming and fishing income is included in box 6. This income is separately stated to help determine if you are subject to a penalty for underpayment of estimated tax. Report the amount of gross farming and fishing income on Schedule E (Form 1040), Supplemental Income and Loss, line 42.

Code H. Net investment income tax. This amount is the beneficiary’s adjustment for section 1411 net investment income or deductions. Enter this amount on line 7 of Form 8960, as applicable. See the Instructions for Form 8960.

Code I. Other information. If this code is used, the fiduciary will provide you with any additional information you may need to file your return that isn’t shown elsewhere on this Schedule K-1.

If you receive a statement regarding the splitting of foreign tax credits from the income to which it relates, section 909 may prevent you from deducting the foreign tax credit until the related foreign income is taken into account. See Form 1116, Foreign Tax Credit, and Pub. 514, Foreign Tax Credit for Individuals, for more information.