

**FORM  
IT-41**

State Form 11458  
(R7 / 8-11)

INDIANA DEPARTMENT OF REVENUE  
**FIDUCIARY INCOME TAX RETURN**

For the calendar year ending

or fiscal year beginning

and ending

Name of Estate or Trust

Address

Name and Title of Fiduciary

City

State

Zip Code

Federal Identification Number

INCOME AND INDIANA ADDITIONS	1. Taxable Income of Fiduciary from Federal Form 1041 or Unrelated Business Taxable Income from Federal Form 990T	1	<input type="text"/>	<input type="text"/>	.00
	2. Indiana Additions or Add-backs, see Line 2 instructions	2	<input type="text"/>	<input type="text"/>	.00
	3. Lump Sum Distribution from Federal Form 4972	3	<input type="text"/>	<input type="text"/>	.00
	4. Net Operating Loss Deduction from Federal Return	4	<input type="text"/>	<input type="text"/>	.00
	<b>5. Total Income</b> (Add lines 1 through 4)	5	<input type="text"/>	<input type="text"/>	.00
INDIANA DEDUCTIONS	6. Interest on U.S. Obligations Reported on Federal Return	6	<input type="text"/>	<input type="text"/>	.00
	7. Non-Indiana Fiduciary Income	7	<input type="text"/>	<input type="text"/>	.00
	8. Enter Indiana Portion of Net Operating Loss Deduction (Attach Schedule IT-40NOL, see instructions)	8	<input type="text"/>	<input type="text"/>	.00
	9. State Taxable Income (Line 5 minus lines 6 through 8)	9	<input type="text"/>	<input type="text"/>	.00
TAX COMPUTATIONS	10. State Adjusted Gross Income Tax (3.4% of line 9)	10	<input type="text"/>	<input type="text"/>	.00
	11. Additional Tax, see Line 11 instructions	11	<input type="text"/>	<input type="text"/>	.00
	<b>12. Total Tax</b> (Add lines 10 and 11)	12	<input type="text"/>	<input type="text"/>	.00
CREDITS	13. Fiduciary Estimated Tax Paid	13	<input type="text"/>	<input type="text"/>	.00
	14. Other Credits (You MUST attach verification), see Line 14 instructions	14	<input type="text"/>	<input type="text"/>	.00
	<b>15. Total Credits</b> (Add lines 13 and 14.)	15	<input type="text"/>	<input type="text"/>	.00
	<b>16. Balance of Tax Due</b> (If line 12 is greater than line 15, enter the difference)	16	<input type="text"/>	<input type="text"/>	.00
	<b>17. Penalty</b> , see Line 17 instructions	17	<input type="text"/>	<input type="text"/>	.00
	<b>18. Interest</b> , see Line 18 instructions	18	<input type="text"/>	<input type="text"/>	.00
	<b>19. Total Amount Due</b> Add lines 16 through 18 <b>PAYMENT DUE</b>	19	<input type="text"/>	<input type="text"/>	.00
	<b>20. Refund Due</b> (If line 15 is greater than line 12, enter the difference) <b>REFUND</b>	20	<input type="text"/>	<input type="text"/>	.00

UU

Turn over to the back for Signatures



2421111694

Name of Estate or Trust

Federal Identification Number



## Check Applicable Boxes

First Return

Final Return

Amended Return

Fiduciary Name Change

Address Change

☐
☐
☐
☐
☐

## Check Applicable Boxes

Retirement Plan

Estate

Simple Trust

Complex Trust

Bankruptcy Estate

ESBT Trust

Grantor Trust

Other (Please Specify)

☐
☐
☐
☐
☐
☐
☐


Additional Information - Please answer the following questions or provide the requested information.

1. Is there a non-resident beneficiary? Yes ☐ No ☐ 2. How many Schedule K-1's are attached to this return?

3. If this is an Estate return, enter the date of the decedent's death and Social Security Number

Decedent's date of death

Decedent's Social Security Number

4. If this is a Trust return, enter date the entity was created.

5. Was a final Individual Return filed for decedent? Yes ☐ No ☐

6. If this is a Grantor Trust return, enter the Grantor's Social Security Number.

I authorize the Department to discuss my return with my personal representative.

Yes ☐ No ☐ If yes, complete the information below.

Personal Representative's Name (please print)

Telephone number

Address

City

State

Zip Code

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than the taxpayer, this declaration is based upon all information of which the preparer has any knowledge.

Signature of Fiduciary or Officer

Telephone Number

Date

Signature of Preparer

Telephone Number

Date

Preparer's Address

Preparer's Identification Number

City

State

Zip Code

**Mail completed return with payment to:**

Indiana  
Department of Revenue  
Fiduciary Section  
P.O. Box 6192  
Indianapolis, IN 46206-6192

**Mail all other returns to:**

Indiana  
Department of Revenue  
Fiduciary Section  
P.O. Box 6079  
Indianapolis, IN 46206-6079



24211121694

# IT-41 FIDUCIARY INCOME TAX RETURN *INSTRUCTIONS*

## GENERAL INFORMATION

This tax return is used to report the income, deductions, gains, losses, etc. of the estate or trust; the income that is either accumulated or held for distribution to beneficiaries; or, the income tax liability of the estate or trust.

A decedent's estate or a trust (except for a grantor type trust) is a separate legal entity for federal and state tax purposes. A **decedent's estate** comes into existence at the time of death of an individual. A **trust** may be created during an individual's life (*inter vivos*) or at the time of the individual's death under a will (testamentary). If the trust instrument contains certain provisions, then the person creating the trust (the grantor) is treated as the owner of the trust's assets. Such a trust is a grantor type trust.

A decedent's estate or trust figures its gross income in much the same manner as an individual. There are many deductions and credits allowed to individuals that are also allowed to estates and trusts. An estate or trust may be allowed an income distribution deduction for distributions to **beneficiaries** (heirs). This deduction is calculated at the federal level and determines the amount of any distributions taxed to the beneficiaries. For this reason, an estate or trust is sometimes referred to as a "pass-through" entity. The beneficiary, and not the estate or trust, pays income tax on the individual's distributive share of income. Federal Schedule K-1 is used to notify the beneficiaries of the amounts to be included on their individual income tax returns.

Most estates and trusts file the Form 1041 at the Federal level and file the Form IT-41 at the Indiana level. Some estates and trusts have additional or different requirements.

Many of the determinations that need to be made are done at the federal level by the Internal Revenue Service. Therefore, you must complete the federal Form 1041, US Income Tax Return for Estates and Trusts before you begin filling out the Indiana IT-41 form. If you need to contact the Internal Revenue Service, you can access the IRS website at [www.irs.gov](http://www.irs.gov) to download forms and instructions. You may also order federal forms and publications by calling 1-800-TAX-FORM (1-800-829-3676).

If the IRS instructs you to complete a Form 706, US Estate Tax Return, then the Indiana-equivalent form is the IH-6 Indiana Inheritance Tax Return. Forms are available on our website at [www.in.gov/dor/3509.htm](http://www.in.gov/dor/3509.htm), or you may contact their office at (317) 232-2154.

## AMENDED RETURN

An amended return must be filed to report changes to an originally-filed IT-41. Use an IT-41 form and check the Amended Return box on the front of the return. Please attach a complete copy of the amended Federal return, if applicable, and a brief statement as to the reason for the amendment.

If the amendment results in a refund, you must put any previous payments made with the originally-filed return on Line 14 Other Credits and claim the refund amount on Line 20 Refund Due.

## ATTACHMENTS

It is very important to provide supporting documentation for income, deductions, and credits claimed on the IT41 form. If you are claiming a refund, please attach a complete copy of the Federal 1041 Form. If you are not claiming a refund, you may attach (at least) the first 2 pages of the Federal 1041 Form, along with any pertinent schedules such as the K1 or verification for deductions or credits claimed on the Indiana return.

Also, Indiana does not have its own Fiduciary Schedule K-1. If you have beneficiaries, please provide a copy of the Federal Schedule K-1's so we can verify income, deductions, and credits.

If you are claiming credit for Indiana taxes withheld, you must attach a withholding statement (W-2, 1099R, or WH18) so we can verify that payments have been made for you in an Indiana Withholding account.

## COMPOSITE RETURN

A composite return may be filed on behalf of nonresident beneficiaries. The individual nonresident beneficiaries will be relieved of the obligation to file an individual adjusted gross income tax return unless they have income from other Indiana sources.

Any beneficiary that is a fiduciary (trust or estate) or a resident individual must be excluded from the composite return. All beneficiaries must be subject to the same tax treatment.

The following limitations and conditions shall apply to those beneficiaries included in the composite return:

- a) any short term capital gain (loss) plus any long term capital gain (loss) specifically allocated to beneficiaries shall be allowed subject to any "passive activity" loss limitations pursuant to IRC Section 469 and capital loss limitations imposed on noncorporate taxpayers by IRC Section 1211;
- b) no deduction shall be permitted for interest paid on investment indebtedness under Section 163(d) of the IRC (limitation on investment interest indebtedness);
- c) no deduction shall be permitted for net operating losses;
- d) no personal exemptions shall be permitted;
- e) no deduction shall be allowed for charitable contributions allowed or allowable pursuant to Section 170 of the IRC;
- f) any college credit for individual contributions is limited on the composite return to the lower of each beneficiary's state tax liability or \$100 (no joint credit with spouse is permitted);

- g) no credit is permitted for taxes paid to other states;
- h) no credit carryovers are permitted.
- i) any refund of state and/or county taxes will be remitted directly to the trust.

### **Composite Filing Procedures**

- 1) (a) Prepare a comprehensive schedule which shows the calculation of tax attributable to each individual non resident beneficiary. Indicate the names, addresses and Social Security numbers of all nonresident individuals required to be included in the composite return. Subject to the limitations above, separately compute the Indiana tax liability of each individual nonresident beneficiary. Attach this schedule to the IT-41 Indiana Fiduciary Income Tax Return.
- (b) Composite income means each individual nonresident beneficiary's distributive share of income derived from sources within Indiana.
- (c) Any limitations imposed on the respective beneficiaries by Section 469 of the Internal Revenue Code (passive activity loss rules) will apply to the composite return.
- 2) On Form IT-41, line 11, enter the total tax liability of those nonresidents included in the composite return.
- 3) Insert the total tax withheld on behalf of the nonresident beneficiaries included in the composite schedule on line 14 of the IT-41 form. This amount plus the total tax withheld on behalf of any nonresident beneficiaries not included in the composite return should equal the WH-3 Annual Reconciliation of Withholding. Form WH-3 is mailed automatically to the payer in January of each year.
- 4) On a monthly or quarterly basis, using Form WH-1 Employer's Withholding Tax Return, submit withholding tax payments on behalf of all nonresident beneficiaries.
- 5) Form WH-18 Indiana Miscellaneous Withholding Tax Statement for Nonresidents has four copies.

**Copy A:** File with the WH-3 Annual Withholding Reconciliation by February 28 of each year

**Copy B:** Give to the recipient for their records

**Copy C:** Attach to the composite return

**Copy D:** Keep for the payer's records

The fiduciary filing a composite return for the nonresident beneficiaries is liable for the tax shown on the return, and for any additional tax, interest, and penalty as a result of a subsequent audit and examination.

The composite schedule is due with the fiduciary return. If the IRS allows the fiduciary an extension on its federal income tax return, the corresponding due dates for its Indiana income tax returns are automatically extended for the same period, plus 30 days.

## **CONTACT US**

If you need additional information, you may contact us:

- on the Internet at [www.in.gov/dor](http://www.in.gov/dor);
- by email at [webmaster@dor.IN.gov](mailto:webmaster@dor.IN.gov);
- by telephone at (317) 232-2067 Monday-Friday from 8:00 a.m. to 4:30 p.m.;
- by fax at (317) 615-2697 24 hours a day, 7 days a week; or,
- in person at any of our district offices. Our offices are open Monday through Friday from 8:00 a.m. to 4:30 p.m. To find the nearest district office, check out the list at [www.in.gov/dor/3390.htm](http://www.in.gov/dor/3390.htm).

## **ENTITY TYPES**

The entity type is determined by the Internal Revenue Service. The entity type on the Indiana form must agree with the entity type designated on the Federal Form 1041. Please check the appropriate box on the form.

### **• BANKRUPTCY ESTATE**

A bankruptcy estate of an individual will file Form IT-41 with an attached copy of the individual's income tax return. The fiduciary return will report only the amount of tax computed on the individual income tax return. If there is an amount of tax due, report the tax on Line 11 of the IT-41. The payment should be submitted with the IT-41 return.

### **• ESBT (ELECTING SMALL BUSINESS TRUST)**

Special rules apply when figuring the tax on the S portion of an ESBT. The S portion of an ESBT is the portion of the trust that consists of stock in one or more S corporations and is not treated as a grantor type trust. Following the federal guidelines, the tax on the S portion must be figured separately from the tax on the remainder of the ESBT (if any) and attached to the return. Report the tax due on the Indiana portion of income from an Electing Small Business Trust (ESBT) on Line 11 of the IT-41 return. You must attach a separate statement showing the income and tax computation using the 3.4% (.034) Indiana state tax rate.

### **• GRANTOR TRUST**

In the case of a Grantor Trust, the income is taxed at the Individual level; therefore, the IT-41 is filed as an informational return only identifying the trust and the grantor. Please attach a statement (or a copy of the federal return) which discloses income and deductions attributable to the grantor. No financial information should be entered on the IT-41.

### **• GUARDIAN OF A WARD'S ESTATE**

A resident guardianship having gross income exceeding its exemptions for the taxable year will report its income on Form IT-40 Indiana Individual Income Tax Return. A nonresident guardianship with Indiana income must file Form IT-40PNR Indiana Part-year or Nonresident Individual Income Tax Return.

- **RETIREMENT PLAN**

Every retirement plan having income from sources within the state of Indiana who is taxed as a trust filing Federal Form 990T must file using the IT-41 form. Please attach a copy of the Federal Form 990T to the IT-41 while filing. Also, note that the due date for filing the IT-41 is the 15th day of the 5th month following the close of the taxable year.

- **COMMON TRUST FUND**

Common trust funds file a Partnership Form IT65 Return and will attach to the form a list showing each participant's name, address, social security number, and the amount of taxable income or loss (exclusive of gains or losses from sales or exchanges of capital assets) and the participant's share of gains or losses from sales or exchanges of capital assets. For additional information, please contact Corporate Assistance at (317) 233-4015.

## ESTIMATED PAYMENTS

Indiana does not require trusts and estates to make fiduciary estimated payments. Fiduciaries electing to make estimated payments must use Form IT-41ES Fiduciary Estimated Tax and Extension Payment Voucher.

**There are no carryover provisions for estimated payments. Therefore, overpayments are not applied to the estimated account for the following year. Any overpayments will be refunded.**

Please do not request that estimated payments be transferred between Individual and Fiduciary accounts. These requests will be denied.

Since there is not a requirement to make estimated payments, there are no penalties for the underpayment of estimated tax currently on this return.

## EXTENSIONS

If an extension of time to file is needed, the fiduciary may request an extension of time to file. If no tax liability is anticipated, the Department accepts the federal extension of time application (Form 7004, Application for Automatic Extension Time to File Certain Business Income Tax, Information, and Other Returns). It is not necessary to contact the Department prior to filing the annual IT-41 Fiduciary return. A copy of the federal extension of time must be attached to the return when it is filed.

If a fiduciary does not need a federal extension of time and one is necessary for filing the state return, a letter requesting such an extension should be submitted to the Department prior to the due date of the annual return. The request should be sent to Indiana Department of Revenue, Fiduciary Section, PO Box 6079, Indianapolis, IN 46206-6079.

If you anticipate owing tax on the return, keep in mind that the extension is for time to file, not time to pay. To obtain an extension, the fiduciary must attach to Form IT-41 a copy of the ap-

proved request for extension of filing the federal fiduciary return and make payment of at least 90% of the estimated Indiana tax liability. The extension payment should be sent by the original due date of the return with Form IT-41ES, available from the Department's web site ([www.in.gov/dor](http://www.in.gov/dor)). If no tax liability is anticipated, just attach a copy of the approved federal extension request to the IT-41 return when filing.

## FEDERAL IDENTIFICATION NUMBER

Every estate or trust that is required to file Form IT-41 must have a Federal Identification Number (sometimes called an EIN, Employer Identification Number). If you have not already gotten this number from the IRS, you may apply for your number:

- Online by clicking on the EIN link at [www.irs.gov/business/small](http://www.irs.gov/business/small). The EIN is issued immediately once the application information is validated.
- By telephone at 1-800-829-4933 from 7:00 a.m. to 10:00 p.m. in the fiduciary's local time zone.
- By mailing or faxing Form SS-4 Application for Employer Identification Number.

**Important:** If you have not received the Federal Identification Number (Fed. ID# or EIN) and you are ready to file the return, please leave the spaces blank in the space for the ID number. **Do NOT** enter the decedent's Social Security Number in the spaces for the EIN.

## FINAL RETURNS

When an estate or trust is to be terminated, or is required to distribute current income during the taxable year and there is distributable net income, the distributable net income is allocated to the beneficiaries. The beneficiaries must report their respective shares in their IT-40 Individual Income Tax Return or IT-40 PNR Part-Year/Nonresident Individual Income Tax Return.

If a final distribution of assets has been made during the year, all income of the estate or trust must be reported to the beneficiaries. Please check the box on the front of the IT-41 if filing a final return.

## FORMS

The Indiana IT-41 Fiduciary Income Tax Return form is available in a fillable format on our web site at [www.in.gov/dor/files/IT-41.pdf](http://www.in.gov/dor/files/IT-41.pdf). The Indiana IT-41ES Fiduciary Estimated Tax and Extension Payment Voucher is available at [www.in.gov/dor/files/it-41es.pdf](http://www.in.gov/dor/files/it-41es.pdf). If you do not have access to a personal computer, you may call the Forms Order Request Line at (317) 615-2581 to have forms mailed to you. You will need to leave the following information on the voice mail system:

- Name of form or form number needed
- Number of copies needed
- Contact person's name
- Daytime phone number
- A complete mailing address including city, state, and zip code



Tax forms are also available at any of our district offices throughout the state of Indiana. These offices are open Monday – Friday from 8:00 a.m. to 4:30 p.m. To find the nearest district office, check out the list at [www.in.gov/dor/3390.htm](http://www.in.gov/dor/3390.htm).

## LOSSES OR NEGATIVE ENTRIES

Use negative sign (dash) before any losses or negative entries.

**Example:** -100 indicates a loss of \$100.

## NAME AND ADDRESS

Carefully enter the name of estate or trust, name and title of Fiduciary, and complete address (as they appear on the Federal Form 1041).

## NONBUSINESS INCOME

Income received from Indiana sources is considered Indiana income to nonresidents, except certain types of Indiana source income that are subject to tax only by the taxpayer's state of legal residence. Interest, dividends, royalties and gains from the sale of capital assets are subject to tax only by the taxpayer's state of legal residence unless such income results from the conduct of a trade or business in Indiana. If a trade or business is conducted in Indiana, the income should be reported as Indiana income. Income from a qualified pension, annuity, or profit sharing plan is subject to tax by the taxpayer's state of legal residence. Lump sum distributions from qualified plans are subject to tax by the state that, at the time of distribution, is the taxpayer's state of legal residence. Deferred compensation other than from a qualified retirement plan, accumulated vacation, bonus, severance, sick pay, and income from a stock option plan are directly attributable to services performed, and are taxable by the state where the services were performed.

## PRIOR-YEAR RETURNS

When filing a return for a previous year, make certain to indicate the appropriate year ending date on the IT-41. There are no separate returns for filing for a previous year.

## RESIDENCY DETERMINATIONS

For purposes of filing the Indiana Fiduciary Income Tax Return, estates and trusts are classified as either resident or nonresident.

**For Indiana purposes, the residence of an estate or trust is determined by the place where it is administered.** Therefore, you must determine where the trustee or personal representative is located and where the records are kept for the trust or estate.

Resident estates or trusts are taxable on all income from all sources regardless of where it is earned. Therefore, resident fiduciaries must report all income wherever derived.

Nonresident estates and trusts are taxable in Indiana on all income derived from Indiana sources. Income derived from sources within and without Indiana shall be determined under IC 6-3-2-2. Nonresident estates and trusts must adjust federal taxable income (or loss) to reflect taxable income allocable to Indiana.

## RETURN INDICATOR

Please check the appropriate box to indicate if this is the First Return, Final Return, or Amended Return. Also, indicate by checking the box if there is a change in the Fiduciary Name or Address and if there are any Schedule K-1's attached.

## ROUNDING TO THE NEAREST WHOLE DOLLAR

When making your mathematical calculations on the return, you may choose to round your numbers to the nearest whole dollar. To do so, drop any cents less than 50 cents and increase amounts from 50 cents to 99 cents to the nearest whole dollar. For example: \$100.32 would be \$100.00. \$100.65 would be \$101.00.

## SIGNATURE

The IT-41 Form must be signed by the Fiduciary (Trustee, Executor, Personal Representative, etc.) to be considered a valid return.

## TAXABLE YEAR

The taxable year shall be the calendar or fiscal taxable year of the taxpayer as shown on Form 1041, US Income Tax Return for Estates and Trusts.

## WHEN TO FILE

This return must be filed by the 15th day of the 4th month following the close of the taxable year. For retirement plans filing Federal Form 990T, the return must be filed by the 15th day of the 5th month following the close of the taxable year.

## WHERE TO FILE

### Returns With Payment

Indiana Department of Revenue  
Fiduciary Section  
PO Box 6192  
Indianapolis, IN 46206-6192

### All Other Returns

Indiana Department of Revenue  
Fiduciary Section  
PO Box 6079  
Indianapolis, IN 46206-6079

## WHO MUST FILE

A **fiduciary** is a trustee of a trust, or an executor, executrix, administrator, administratrix, personal representative, or person in possession of property of a decedent's estate. The fiduciary is responsible for filing this return.

## WITHHOLDING REQUIREMENTS

Trusts and estates must withhold Indiana adjusted gross income tax from certain payments or credits of income to nonresidents. The withholding agent must report the net income and tax withheld from this income on Form WH-18, Indiana Miscellaneous Withholding Tax Statement for Nonresidents.

Withholding is required when a trust or estate (fiduciary) distributes Indiana income (except income attributable to interest or dividends) to a non-Indiana resident beneficiary (IC 6-3-4-15).

The nonresident beneficiary is entitled to claim credit for the withheld tax when filing the Indiana IT-40PNR Part-Year or Nonresident Individual Income Tax Return.

### ***Setting up a Withholding Account for a Nonresident Shareholder, Partner, or Beneficiary***

If you are already registered as a nonresident withholding agent, use the designated Form WH-1 (Indiana Withholding Tax Voucher). You may use Form DB020W-NR (if you have not established a separate nonresident withholding account) to remit Indiana state income tax withholding on annual income distributions to nonresident shareholders, nonresident partners, or nonresident beneficiaries of trusts and estates. Also, include county income tax withholding for an Indiana tax-adopting

county if on Jan. 1 of the tax year this was the nonresident's principal place of business or employment.

Payment is generally due within 30 days following the end of the tax year or quarter (if the liability for a quarterly period exceeds \$150). However, if an entity pays or credits amounts to its non-resident shareholders, partners, or beneficiaries one time each year, the withholding payment is due on or before the fifteenth day of the third month after the end of the taxable year.

If you have any questions regarding this form or the withholding tax, please call the Indiana Department of Revenue, Tax Administration at (317) 233-4016.

### ***Nominee Withholding Procedures***

If a small business corporation, partnership, or fiduciary withholds tax from income distributions to a nonresident small business corporation, partnership or fiduciary which in turn passes through the income to a nonresident shareholder, partner, or beneficiary, the original withholding agent may designate the ultimate nonresident recipient as a "Nominee" recipient who must then claim the withheld Indiana tax.

**Example:** Indianapolis Partners, Ltd., an Indiana partnership, distributes \$1,000 of Indiana source rental income to one of its partners, the Ohio Revocable Trust located in Columbus, Ohio. The Ohio Revocable Trust is a simple trust which distributes all current income to the sole beneficiary, John Jones, a resident of Ohio. Indianapolis Partners, Ltd., must withhold \$34 (3.4% of \$1,000) from the distribution to the Ohio Revocable Trust.

Indianapolis Partners, Ltd., may designate John Jones as the "nominee" recipient of the income distribution on Form WH-18. The Form WH-18 must show the names and addresses of both the Ohio Revocable Trust and John Jones. The federal identification number of the trust would appear in the recipient's block next to the trust's name and address. Jones' social security num-

ber must appear in the block specified for "Recipient's Federal ID or SS Number."

Following the end of the partnership's tax year, Indianapolis Partners, Ltd. provides copies B and C of Form WH-18 to the Ohio Revocable Trust. The trust provides Copy C to John Jones for filing with John Jones' IT-40PNR. John Jones reports the \$1,000 rental income on his IT-40PNR. The trust reports the \$1,000 income and \$1,000 distribution deduction on the federal fiduciary return, Form 1041. The trust's Indiana fiduciary return (IT-41) reports no taxable income due to distributions. The trust must attach a copy of the Form WH-18 showing the "pass through" of the withheld income tax to John Jones.

**Note:** If there is more than one partnership or fiduciary between the withholding agent and ultimate beneficiary, the withholding agent may complete Form WH-18 to reflect the initial distribution and nominee beneficiary as if there were no intermediary entities. Intermediary entities must attach a copy of the Form WH-18 to their returns to show the ultimate nominee beneficiary.

**Example:** Smith Farms, Inc., an Indiana S Corporation, distributes \$10,000 of Indiana source farm income to the Estate of Mary Smith, an Illinois shareholder. The Estate of Mary Smith in turn distributes the income to two Illinois Trusts, the Smith Marital Trust and the Smith Credit Trust. The two trusts in turn distribute the income to Sam Smith, also a resident of Illinois.

Smith Farms, Inc. would complete Form WH-18 showing the Estate of Mary Smith and Sam Smith as the nominee recipient. The Estate of Mary Smith and the two trusts would each file Form IT-41 with a copy of the Form WH-18. Sam Smith would report the \$10,000 of Indiana source income on his IT-40PNR and claim credit for the \$340 of withheld tax.

## ***FORM IT-41 LINE-BY-LINE INSTRUCTIONS***

### **LINE 1 TAXABLE INCOME**

Enter taxable income (after exemptions) from federal Form 1041. If there is no taxable income to report because distributions were made to beneficiaries, enter zero. If you are filing as a retirement plan and are taxable as a trust filing federal Form 990T, enter the unrelated business taxable income.

### **LINE 2 INDIANA ADDITIONS OR ADD-BACKS**

Deductions allocable to tax exempt income must be used only against tax exempt income. Therefore, if interest in US Government Obligations is excludable on the Indiana Fiduciary Return, expenses related to such tax exempt income must be added back to taxable income for Indiana purposes.

**Bonus Depreciation** – You must make an exception for any bonus depreciation deduction used for property placed in service after September 11, 2001. Bonus depreciation is the additional first-year special depreciation deduction allowed under Section 168(k) of the Internal Revenue Code (IRC). Figure the net income (or loss)

which would have been included in federal taxable income had the bonus depreciation method not been used. Then, enter the difference, which may be a positive or negative amount on line 2.

### LINE 3 LUMP SUM DISTRIBUTION

Enter the amount of lump sum distribution (net of allocable federal estate tax) reported on Federal Form 4972.

### LINE 4 NET OPERATING LOSS DEDUCTION

Add back the net operating loss deduction claimed on your federal return. The Indiana portion of the net operating loss deduction may be claimed on Line 8. You must attach a copy of Indiana Schedule IT-40NOL Individual Income Tax Net Operating Loss Computation.

### LINE 5 TOTAL INCOME

Add Lines 1 through 4. Enter the amount.

### LINE 6 US GOVERNMENT OBLIGATIONS INTEREST

Enter the amount of interest on U.S. Government Obligations that is nontaxable by Indiana only to the extent that such income was reported on Line 1.

### LINE 7 NON-INDIANA FIDUCIARY INCOME

Nonresidents may enter the portion of federal fiduciary taxable income not apportioned or allocated to Indiana. A separate statement must be attached indicating to which state the income is attributable.

### LINE 8 INDIANA PORTION OF NET OPERATING LOSS

Enter the Indiana portion of net operating loss deduction and attach Indiana Schedule IT-40NOL. Please review the IT-40NOL and instructions before entering an amount on this line.

### LINE 9 STATE TAXABLE INCOME

Subtract Lines 6, 7, and 8 from Line 5. This is your Indiana Taxable Income.

### LINE 10 STATE ADJUSTED GROSS INCOME TAX

Multiply the amount on Line 9 by 3.4% (.034).

### LINE 11 ADDITIONAL TAX

Report the tax due on the Indiana portion of income from an Electing Small Business Trust (ESBT). You must attach a statement showing the income and tax computation using the 3.4% (.034) Indiana state tax rate.

Bankruptcy estates may enter the amount of tax due from the Individual Income Tax Return. Attach a copy of the Individual return showing calculations.

**Sales or Use Tax** – The purchase of all tangible personal property to be used by the fiduciary is subject to either the sales or use tax.

If the sales tax is not paid at the time of purchase, the buyer is liable for payment of the use tax at the rate of 7% (.07) of the total purchase price.

**County Tax** – There is no county tax due on fiduciary returns.

### LINE 12 TOTAL TAX

Add Lines 10 and 11. Enter the result.

### LINE 13 FIDUCIARY ESTIMATED TAX PAID

Enter the total amount of fiduciary estimated payments made during the taxable year by the fiduciary. These payments should have been made using the Federal Identification Number and the IT-41ES Fiduciary Estimated Tax and Extension Payment Voucher. If you made an extension payment, include the amount of your extension payment combined with the amount of the estimated payments.

### LINE 14 OTHER CREDITS

**Amended Return** – If you are filing an amended return and made a payment with your original return, enter the amount of the original payment on this line.

**Withholding Credit** – If you have withholding credit from a 1099R Form, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, etc., enter the amount of Indiana State Tax Withheld on this line and attach a copy of the 1099R form. If you are claiming withholding credit from a WH18 Miscellaneous Withholding Tax Statement for Nonresidents, you must attach a copy of the WH18 form. Please refer to the Nominee Withholding Procedures detailed in the Department's Information Bulletin #85. Additional information is also included in these IT-41 form instructions under "Withholding Requirements".

**Other Credits** – There are many credits available at the fiduciary level, similar to credits available to an individual. The main thing to remember when claiming Other Credits is to attach the required verification to the IT-41 form. The credits are subject to the limitations detailed in Information Bulletin #59. The bulletin also lists the specific verification needed for each of the available credits.

### LINE 15 TOTAL CREDITS

Add Lines 13 and 14. Enter the result.

### LINE 16 BALANCE OF TAX DUE

Subtract Line 15 from Line 12. Enter the result.

### LINE 17 PENALTY

If you are filing this return after the original due date, you probably owe a penalty. There are two different types of penalties to consider. The first is for late payment and the second is for late filing.

**Late Payment Penalty** – If the return has an amount due on Line 16 and is filed after the original due date, the penalty is 10% (.10) of the balance of tax due on Line 16 or \$5.00, whichever is greater.



**Note:** An extension of time to file does not extend the time to pay any tax due. Tax due must be paid by the original due date. Interest and penalty are calculated on late payments from the due date of the payment.

The penalty for paying late is not due if **all three** of the following conditions are met:

1. A valid extension of time to file exists;
2. At least 90 percent of the tax liability was paid by the original due date; and
3. The remaining tax is paid by the extended due date.

**Late Filing Penalty** - If the return has **no tax liability** on Line 16 and is filed late, the penalty for failure to file by the due date is \$10.00 per day that the return is past due, up to a maximum of \$250.00.

If you owe a penalty, enter the penalty amount on Line 17.

## LINE 18 INTEREST

If a return is filed and payment is made after the original due date, interest must be included with the payment. Interest is calculated from the original due date until the date the payment is made. Interest rates are listed on our Departmental Notice #3 (available on our Web site at [www.in.gov/dor/3618.htm](http://www.in.gov/dor/3618.htm)) or you may contact the Department to get the current interest rate.

## LINE 19 TOTAL AMOUNT DUE

Add Lines 16, 17, and 18. Enter the result. This is the amount of total tax owed to the Department. Please make your check or money order payable to "Indiana Department of Revenue" and send your payment with your return.

If you are unable to mail your payment when you file the return, you may receive a bill that includes additional interest and/or penalties due on the return.

## LINE 20 REFUND DUE

If Line 15 is greater than Line 12, enter the difference. This is the amount of overpayment and the amount that will be refunded to you. This amount may not be transferred to the estimated account or transferred to a different tax-type account (Individual or Corporate). This is the amount of your refund.

# GLOSSARY

## A

ADDITIONAL TAX • 6  
ADDITIONS OR ADD-BACKS • 5  
AMENDED RETURN • 1,6  
AMOUNT DUE • 7  
ATTACHMENTS • 1

## B

BANKRUPTCY ESTATE • *See* ENTITY TYPES  
BANKRUPTCY ESTATE TAX DUE • *See* ADDITIONAL TAX

## C

COMMON TRUST FUND • *See* ENTITY TYPES  
COMPOSITE RETURN • 1  
CONTACT INFORMATION • 2  
COUNTY TAX • *See* ADDITIONAL TAX

## E

ENTITY TYPES • 2  
ESBT • *See* ENTITY TYPES  
ESBT TAX RATE • *See* ADDITIONAL TAX  
ESTIMATED PAYMENTS • 3,6  
EXTENSIONS • 3,6

## F

FEDERAL IDENTIFICATION NUMBER • 3  
FINAL RETURNS • 3  
FORMS • 3

## G

GRANTOR TRUST • *See* ENTITY TYPES  
GUARDIAN OF A WARD'S ESTATE • *See* ENTITY TYPES

## I

INTEREST • 7

## L

LATE FILING PENALTY • *See* PENALTY  
LATE PAYMENT PENALTY • *See* PENALTY  
LINE-BY-LINE INSTRUCTIONS • 5  
LOSSES OR NEGATIVE ENTRIES • 3

LUMP SUM DISTRIBUTION • 5

## N

NAME AND ADDRESS • 3  
NET OPERATING LOSS DEDUCTION AND INDIANA PORTION • 5,6  
NOMINEE WITHHOLDING • *See* WITHHOLDING REQUIREMENTS  
NON-BUSINESS INCOME • 3  
NON-INDIANA FIDUCIARY INCOME • 6

## O

OTHER CREDITS • 6

## P

PENALTY • 6  
PRIOR-YEAR RETURNS • 4

## R

REFUND DUE • 7  
RESIDENCY DETERMINATIONS • 4  
RETIREMENT PLAN • *See* ENTITY TYPES  
RETURN INDICATOR • 4  
ROUNDING TO THE NEAREST WHOLE DOLLAR • 4

## S

SALES OR USE TAX • *See* ADDITIONAL TAX  
SIGNATURE • 4

## T

TAX RATE • 6  
TAXABLE INCOME • 6  
TAXABLE YEAR • 4

## U

US GOVERNMENT OBLIGATIONS INTEREST • 6

## W

WHEN TO FILE • 4  
WHERE TO FILE • 4  
WHO MUST FILE • 4  
WITHHOLDING CREDIT • *See* OTHER CREDITS  
WITHHOLDING REQUIREMENTS • 4